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**The Evolution of Urban Community Development Corporations  
in Response to Contemporary Challenges and Opportunities**

A thesis submitted in partial fulfillment of the requirements for the degree of Master of  
Urban and Regional Planning at Virginia Commonwealth University.

by

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December, 2006

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## **ABSTRACT**

### **THE EVOLUTION OF URBAN COMMUNITY DEVELOPMENT CORPORATIONS IN RESPONSE TO CONTEMPORARY CHALLENGES AND OPPORTUNITIES**

by Sharon Bancroft, Bachelor of Science

A thesis submitted in partial fulfillment of the requirements for the degree of Master of  
Urban and Regional Planning at Virginia Commonwealth University.

Virginia Commonwealth University, 2006

Major Director: Dr. Michela Zonta, Assistant Professor,  
L. Douglas Wilder School of Government and Public Affairs

Community development corporations (CDCs) have become important vehicles for revitalizing urban neighborhoods. These small, multi-disciplinary groups must adapt quickly to changing conditions in the industry. The author interviewed CDC directors and other industry experts from Richmond, Virginia and Atlanta, Georgia to identify and compare contemporary challenges, opportunities and adaptations among community developers. The cost and availability of land, inadequate funding and organizational capacity were significant barriers in both cities. In Richmond, increasing competition, NIMBY and staff retention were other barriers. In Atlanta, securing community buy-in, the permitting process, and the growing need for affordable housing were other barriers. Increasing public interest in affordable housing, the need for new housing types and increased housing demand present new opportunities. Atlanta also has new public policies supporting housing. In response, CDCs in both cities are expanding their geographic areas, developing partnerships, and adding new development products. Atlanta CDCs also reported expanding non-development activities.

## **I. Introduction**

Although some American cities have experienced a renaissance over the past decade, pockets of poverty and disinvestment still linger in many inner-city neighborhoods. These places offer their inhabitants few options for jobs, quality housing, goods or services. Some of the neighborhoods were victims of urban renewal policy or highway projects; many still show the negative effects of redlining by financial institutions. Families also face higher crime rates, race discrimination, poverty and unemployment. Since the Civil Rights era, policymakers have sought an effective tool for alleviating the deleterious conditions in low-income, inner-city communities. One of the innovative tools that has emerged is the community development corporation (CDC), a type of nonprofit organization that develops real estate, provides services and organizes community efforts in places that many others have left behind. Many CDCs have been formed by residents themselves to provide a bottom-up, grass-roots approach to solving local problems.

The first CDCs were formed in the 1960s and '70s, and served to organize their neighborhoods and encourage economic development (Easton, 1976; Twentieth Century Fund, 1971). After the diminution of federal subsidies for housing in the early 1980s, CDCs became an alternative method for delivering affordable housing (Schill, 1996) and community services that had formerly been provided by the public sector (Rubin, 2000;

Silverman, 2001; Walker, 2002). CDCs have been reaping the benefits of a support structure that grew around them in the 1990s (Walker, 2002), with national intermediaries like the Enterprise Community Partners and the Local Initiatives Support Corporation (LISC) providing technical assistance and financial resources to CDCs. Local governments have channeled their federal CDBG and HOME dollars to CDCs, and the philanthropic community has provided charitable donations, creating a flow of new resources into disinvested urban neighborhoods. Despite an ongoing struggle for funding and organizational capacity, CDCs have succeeded in turning many neighborhoods around, raising property values and paving the way for renewed investment from the private sector (ibid.).

CDCs are engaged in a complex balancing act in a shifting landscape. One of the advantages of the CDC model is the ability to change course quickly and meet local needs as they arise, due to their small size and connection with residents. But because CDCs engage in a wide variety of activities, from group home development to job training to homebuyer counseling, a variety of outside forces impact their work. Demand for housing, interest rates, local government policies and priorities, land costs and school performance are just a few examples of outside forces that can influence the success or failure of CDCs. Also, CDCs share some characteristics of mission-driven charities while also resembling for-profit developers, a dual role that can create tension with public administrators (Rubin, 1995). In order to stay viable, CDCs have to be able to adapt quickly to their environments, marshalling scarce resources and leveraging their strengths against the daunting barriers they face.

This study identifies how CDCs in two cities – Richmond, Virginia and Atlanta, Georgia – have been evolving to adapt to the new challenges and opportunities of their contemporary environment. The paper begins with a purpose statement and a conceptual context section, which describes the national evolution of the community development industry. The research question and methodology sections follow. The results section for each city presents findings on the long-term growth and development of the local industry, the contemporary challenges and opportunities that CDCs face, and how the CDCs are adjusting their strategies so they can continue to survive and make a difference in the neighborhoods they serve.

#### Purposes of the Study

This study was conducted in hopes of achieving goals at several different levels. First, I sought to make a useful contribution to the contemporary research on CDCs: a record of the real challenges facing practitioners today, and an account of how they are adapting and growing to meet those challenges. The evolution happening in the community development industry may be signaling a paradigm shift in how Americans work to recapture long-neglected parts of their cities and their societies. As such, recording how and why those changes took place is a worthwhile effort.

Second, if CDCs are changing their approaches to rebuilding neighborhoods, their support structures – financial, technical and political – will probably require an adjustment as well. By identifying what paths the leaders are choosing to follow, we can highlight new areas of need. For example, a neighborhood-based CDC with experience in rehabilitating single-family houses may be unprepared to address the complexities of

developing a mixed-use project. Realizing that mixed-use or mixed-income projects will be more prevalent during the next decade, the local intermediary could offer more training opportunities in this area. This way, the research informs practice.

Finally, there are some personal reasons for pursuing this work. I spent about 18 months working at the Richmond LISC office, now Virginia LISC, during which time I met many of the local community development leaders. I admired their progress and their dedication in the face of giant odds stacked against them and the frequent setbacks they experienced. Many organizational changes were taking place, especially transitions in leadership and personnel. Several groups looked like they might not survive the year. I wanted to know: what forces are driving these changes? How will the local community development industry adjust to the new environment? Are these changes endemic to Richmond or do they mirror national trends? This study helped to satisfy my curiosity about the work itself, and also offered an opportunity to spend more time with a very driven group of people with noble hopes for their neighborhoods.

## **II. Conceptual Context and Literature Review**

### **Conceptual Context**

This study is focused on urban community development corporations and their unique approach to neighborhood revitalization. I sought out information about the characteristics of CDCs that develop housing, because housing development is the primary activity of most CDCs (Vidal, 1992; Schill, 1996; Walker, 2002; Bratt and Rohe, 2004). Also, while many CDCs are engaged in economic development initiatives and community organizing, this paper does not delve very deeply into these topics because they would merit stand-alone research efforts. I looked for information generated primarily from 1990 forward. The Richmond community development industry was forming around that time, and I was interested in how national literature coincided with what was actually happening in Richmond.

Having established those guidelines, I started with a broad review of the published literature on the characteristics of CDCs to identify some avenues of further inquiry with my interviewees. I categorized the information into five topics for analysis: Mission and Scope of Activities, Organizational Structure and Technical Capacity, Funding and Finance, the Role of Local Government, and Partnerships and

Collaboration<sup>1</sup>. For each topic, I first identified the features of CDCs that remained consistent through the years, as reported in the literature, and then looked for evidence of any emerging trends or ways in which the industry is evolving. I also took note of any significant debates about the form or function of CDCs.

## **Literature Review**

### Mission and Scope of Activities

While community development corporations are as diverse as the city neighborhoods they serve, CDCs generally share a primary mission: the revitalization of low-income, distressed communities (Walker, 1993 and 2002). And though many CDCs tend to specialize in physical development projects, changing the built environment is viewed as a tool for community empowerment and capacity building (Rubin, 1993), promoting the reestablishment of social institutions and local leadership (Schill, 1994).

To accomplish community revitalization, CDCs engage in many types of activities. Housing production is the primary activity (Vidal, 1992; Schill, 1996; Walker, 2002; Bratt and Rohe, 2004). Groups that succeed in housing development, which seems to be the least risky pursuit for CDCs, then expand their activities (Schill, 1994 and 1996). Many groups are involved in community organizing and advocacy (Vidal, 1992; Clavel et al, 1997; Gittell and Wilder, 1999; Walker, 2002). Economic development activities are also common (see for ex. Schill, 1996; Accordino, 1997; Rubin and Rubin, 2001). The expanded role of some CDCs includes the provision of social services such as health care, childcare, homeowner education, family counseling, and crime prevention

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<sup>1</sup> For the methods employed during this process, refer to “Data analysis, preliminary” in the Research Design Methodology chapter.

(Clavel et al, 1997; Rubin and Rubin, 2001; Walker, 2002), as well as involvement in renovation or construction of community facilities (Walker, 2002).

There is ongoing debate over the effect of CDCs becoming more professionalized, and the degree to which CDCs are still involved in community organizing (see for ex. Stoecker, 1997; Bratt, 1997; Keating, 1997; Eisenberg, 2000; and Silverman, 2005). Rather than being co-opted, some argue that the increasing incorporation of CDCs in relationships with public and private partners may actually strengthen the position of neighborhood-based groups (Vidal, 1992; Robinson, 1996; Clavel et al, 1997; Walker, 2002).

The focus of community-based developers has evolved over time, influenced by the prevailing political environment and funding availability. CDCs' activities in the 1960s focused on developing community leadership, providing community services, and economic development activities (Easton, 1976; Twentieth Century Fund, 1971). In the 1970s, groups concentrated on job development (Accordino, 1997) and neighborhood organizing in opposition to urban renewal, factory closings and redlining (Vidal, 1992; Fisher, 1994; Clavel et al, 1997). CDCs became more businesslike in the late 1970s and 1980s (Vidal, 1992). At this time, the focus shifted away from activism toward the provision of housing and economic development programs (Fisher, 1994; Clavel et al, 1997; Eisenberg, 2000). During the Reagan years, federal support for subsidized housing was slashed by 77 percent (Lamar, 1988). Campaigning president George H. Bush called for the involvement of private benevolent organizations – “1,000 points of light” – to help solve the growing crisis of homelessness (ibid.). The prevailing political philosophy



at the time, devolution of public programs to the local level, favored the CDC approach (Nowak, 1997). So, in the late 1980s and early '90s, CDCs stepped up to fill the void created by a government reduction of subsidies for low-income housing producers (Schill, 1996). The CDC production sector matured, and began to fill a key role in Federal housing programs (Clavel et al, 1997). Finally, in the mid- to late-'90s, there was a return to a comprehensive approach in order to be more effective in solving social problems, and to take advantage of new foundation funding for comprehensive initiatives (Accordino, 1997; Clavel et al, 1997; Eisenberg, 2000; Walker, 2002). In many cities, these Comprehensive Community Initiatives (CCIs) focused large investments from foundations, nonprofits and other stakeholders on broad neighborhood redevelopment efforts (Lipow, 2005). CDCs offered an expanded scope of social services as a complement to development activities (Leland, 1999; Rubin and Rubin, 2001). Some CDCs became involved in community planning efforts (Holtzman, 2006). This trend toward comprehensiveness has produced opportunities for organizational growth and change, and new partnerships within communities.

#### Organizational Structure and Technical Capacity

Community development corporations are nonprofits that pursue social goals, and they are also businesses that must produce successful developments to keep their doors open. CDCs are generally neighborhood-based (Vidal, 1992; Walker, 1993; Twelvetrees, 1996), and are intended to be community-controlled (Twentieth Century Fund, 1971; Rubin, 2000; Green and Haines, 2002). As such, a CDC normally has resident representation on its board of directors (Vidal, 1992; Schill, 1994; Robinson, 1996;

Rubin, 2000; Walker, 2002). Resident representation on the board of directors may be required by some funding sources, however, and there is some debate over whether board representation equals community control. The complexity of real estate development may require residents to cede control to professionals on the board or staff of the CDC (Schill, 1994 and 1996; Stoecker, 1997; Green and Haines, 2002), and CDCs often rely on outside technical assistance (Gittell and Vidal, 1998; Twelvetrees, 1996).

Contemporary conditions put pressure on CDCs to expand beyond their traditional neighborhood boundaries. Serving small or homogeneous geographic areas can make CDCs more vulnerable to changes in market conditions (Rohe et al, 2003). The difficulty CDCs face in obtaining operating funding in their own backyards has encouraged some neighborhood-based CDCs to contract their services out into other areas. This situation impacted some groups in Chicago (Levavi, 1996). Two CDCs in Cambridge, Massachusetts have been forced into new territory as a result of gentrification (Van Meter, 2004).

CDCs have been making strides over the years, but technical capacity and business acumen are still an ongoing concern. Rubin (2000) writes that many community-based development organizations “are not the best of businesses, either because of a lack of technical acumen or because of an intentional decision to take on risky projects” (p.61). With respect to their many functions, CDCs are generally most successful in housing and less so in economic development activities (Vidal, 1992; Schill, 1996; Twelvetrees, 1996; Green and Haines, 2002). Some groups are still small and unsophisticated, and many face serious challenges in management operations (Vidal,

1992; Robinson, 1996; Peterman, 2000). Funding shortfalls may force CDCs to be understaffed, with little specialization; lower salaries and fewer benefits than the for-profit development sector make staff retention problematic (Walker, 1993). Fortunately, the rise of national and local intermediaries in the 1980s has improved CDC capacity (Walker, 1993 and 2002; Clavel et al, 1997; Accordino, 1997).

Some observers note that despite their determination, CDCs have been unable to stem the tide of urban disinvestment, poverty and its accompanying social problems (Fisher, 1994; Twelvetrees, 1996; Stoecker, 1997; Peterman, 2000). The failure of a number of notable CDCs in the late '90s has also caused concern (Peterman, 2000; Eisenberg, 2000; Reingold and Johnson, 2003). Some of the common causes cited for CDC failure are: programmatic and financial overextension, especially with regards to for-profit subsidiaries (Proscio, 1998, Reingold and Johnson, 2003); conflicts between staff and board members, and lack of adequate board oversight (Proscio, 1998); lack of project and funding diversity, lack of trust between CDCs and community members, and mismanagement (Bratt and Rohe, 2004). Recent CDC failures – while not representative of the majority of CDCs – underscore the shifting and complex environment of community developers.

### Funding and Finance

Community development corporations generally cannot support their own costs, and must rely on outside support from the government, foundations and corporate sponsors (Rubin, 1995; Robinson, 1996; Green and Haines, 2002). CDCs are most in need of operating support and predevelopment finance, which can be more difficult to

find than project funding (Walker, 1993; LISC, 2000). The main sources for CDC support are described below.

CDCs get funding from *federal, state and local government* sources. For a complete table of the various government programs that provide community development funding, refer to Table 4.1 of Rubin (2000). Some of the most essential programs today are the Community Development Block Grant (CDBG), HOME funds, and the Low-Income Housing Tax Credit (LIHTC) (Schill, 1994; Schussheim, 1999; Peterman, 2000)<sup>2</sup>. These programs provide project equity, operating expenses, or improved affordability for housing projects (Schill, 1994; Rubin, 2000). Though government funding has been characterized as uncontrollable, turbulent, and time-consuming to maintain (Gronbjerg, 1993; Rubin, 2000), it is still a predominant and vital source of funding for community development (Rubin, 1993 and 2000; Walker, 1993 and 2002). Despite the significance of government funding, it is often described as insufficient compared with the level of need (Rubin, 1993; Robinson, 1996; Stoecker, 1997; Bratt, 1997). The dramatic decline in federal funding for CDCs after 1981 forced many organizations to diversify their revenue sources, and stimulated private investment in community development (Shabecoff, 1987; Vidal, 1992; Walker, 1993; Clavel et al, 1997). CDBG funding has

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<sup>2</sup> All three programs are administered by the U.S. Department of Housing and Urban Development (HUD). CDBG grants are distributed to local governments on a formula basis for the purpose of benefiting low- and moderate-income persons, prevention or elimination of slums or blight, and addressing community development needs that pose a threat to the health and welfare of the community (HUD, 2006). HOME grants, which focus on rehabilitation, construction and acquisition of housing for low-income families, provide extra subsidies to fill funding gaps for housing projects (Schussheim, 1999). The Low-Income Housing Tax Credit program provides tax incentives to investors in low-income housing. The program effectively lowers rents and provides equity capital for the construction or rehabilitation of apartments (ibid.).

been subjected to further cuts in recent years (Journal of Housing and Community Development, 2006).

*National and local intermediaries and funding collaboratives* grew to fill the void by providing equity capital, grants, and loans. They help CDCs by packaging funding and project financing, leveraging non-federal funds, and structuring tax credit deals (Walker, 1993; Schill, 1994; Rubin, 2000; Gittell and Vidal, 2002; Walker, 2002). Two major national intermediaries are Enterprise Community Partners, Inc. and the Local Initiatives Support Corporation (LISC). *Foundations and corporations* also provide assistance in the form of grants or loans.

Although cobbling together funding from all of these sources is difficult and time-consuming, CDCs that rely on a single source of funding are more vulnerable to changes, so a diversified funding base is desirable (Vidal, 1992). In some cases, the withdrawal or diminution of a lone funding source has led to a group's demise (Rubin, 1993; Gittell and Wilder, 1999; Bratt and Rohe, 2004). To reduce reliance on outside sources, many CDCs attempt to generate some of their income through *developer fees* or *for-profit subsidiaries*. CDCs may earn developer fees upon the successful completion of a development project. CDCs put fees back into social programs, or use them to cover operating, predevelopment or unexpected expenses (Rubin, 2000). Because CDCs are nonprofits, some government administrators or funders may restrict this form of "profits." As a result, some CDC deals are thinly capitalized, and CDCs experience funding shortfalls (Walker, 1993). Some CDCs have formed for-profit subsidiaries to generate earned income that can help fund CDC activities, as well as create economic

opportunities in their neighborhoods. Only 26 percent of the CDCs that Vidal (1992) surveyed were incorporated as single, stand-alone nonprofits. The rest had at least one subsidiary, and 75 percent of those had for-profit subsidiaries.

Like operating money, CDCs must piece together project financing from many different sources. The state housing finance agency often provides the first mortgage, followed by other loans from intermediaries, localities, foundations, or local banks (Schill, 1994). Vidal (1992) found that many cities had a limited number of banks lending to CDCs, and that many CDCs did not have established credit relationships with banks. Some banks are reluctant to lend to CDCs because nonprofits use different accounting methods and pursue high-risk projects (Rubin, 1995). One tool that helps CDCs attract private financing is the Community Reinvestment Act (CRA)<sup>3</sup>. CDCs receive grants, loans and technical assistance from banks seeking to fulfill their CRA requirements; some CDCs have also negotiated long-term relationships with financial institutions because of CRA challenges (Shabecoff, 1987; Schill, 1996; Twelvetrees, 1996; Clavel et al, 1997; Walker, 2002).

Changes in the funding environment and how CDCs respond are always taking place. For example, the formation of for-profit subsidiaries was promoted in the early 1990s (Gronbjerg, 1993). More recent literature adopts a cautionary tone because of the risks of mission drift, financial trouble, and overextension of CDC management capacity (Schill, 1996; LISC, 2000; Reingold and Johnson, 2003). In recent years, CDCs have

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<sup>3</sup> The Community Reinvestment Act states that federally-regulated banks have an obligation to make loans in the neighborhoods where they are located and accept deposits from. Banks that do not meet their CRA requirements may not be allowed to expand or merge with another bank (Accordino, 1997). A thorough description of the CRA and its evolution is provided in Marsico (2005).

been increasingly able to obtain private financing, probably because of CRA enforcement (Twelvetrees, 1996; Walker, 2002). However, CRA regulations changed in 2005 to reduce the regulatory burden on small midsize banks (Foley, 2005). It is too soon to determine whether this will have a measurable impact on lending in CDC neighborhoods. Also, increasing availability of private financing may be balanced out by the increase in competition for other sources of funds (LISC, 2000; Walker, 2002; Bratt and Rohe, 2004). Competition for philanthropy is exacerbated by the prevalence of bank mergers, reducing the number of local banks with ties to community development (Bratt and Rohe, 2004). The CDBG program survived a major restructuring proposal in 2005, but a survey by the National Association of Housing and Redevelopment Officials found the recent reductions in formula funding is already producing negative impacts (Journal of Housing & Community Development, 2006).

There is some debate about the degree to which CDCs' agendas are co-opted by their funders. CDCs may tailor their programs to specific donor interests (Gronbjerg, 1993) or change course and chase new money when it becomes available (Pitcoff and Widrow, 1998; Rubin, 2000). Funders can use their control to generate adherence to their own developmental agendas (Stoecker, 1997; Yin, 1998; Silverman, 2001; Silver, 2006). Another problem is that the structure of some government funds may limit CDCs' ability to serve the very-low income population (Vidal, 1992; Schussheim, 1999; Peterman, 2000; Rohe et al, 2003). For example, HOME grants and the LIHTC program do not provide deep enough subsidies to serve poverty-level households and must typically be pieced together with other funding (Schussheim, 1999). Without access to consistent,

dedicated funding sources, CDCs must accept these risks to make the most of what funding is available.

### Local Government Support and Involvement

The support of local government is vitally important to the success of community development corporations (Shabecoff, 1987; Vidal, 1992; Walker, 2002). City or county officials can contribute to community development efforts in a number of ways: providing direct financial support, providing loan collateral or sharing risk with other investors, or employing various administrative tools (see for ex. Vidal, 1992; Rubin, 1993; Walker, 1993). The flow of local resources to CDCs generally depends upon the fiscal health of states and localities (Walker, 1993). In the 1990s, improved city fiscal conditions helped make more funding available for neighborhood groups (Walker, 2002). Although many localities provide important resources for CDCs, many argue that more could, and should, be done (Rubin, 1993; Schill, 1994; Twelvetrees, 1996; Bratt, 1997).

Tensions between the community development industry and local officials stem from a variety of issues, as described in detail by Rubin (1993). Cities can use their operating support programs or trust funds to advance their own developmental agendas (Yin, 1998; Silverman, 2001), and government agencies may co-opt weaker CDCs in partnerships (Rubin, 2000). Indeed, Vidal (1992) found that CDC housing production was limited where city officials did not view housing as a priority. These conflicts are further complicated by the fact that local political environments with regards to community development can change quickly and dramatically (Rubin, 2000).



Recent literature suggests some ways the local-nonprofit relationship is evolving. Locally-provided funding may have improved toward the end of the 1990s. Walker (2002) reported that before 1991, only 8 out of 23 subject cities had operating support programs; by 2001, 21 cities had operating support programs in place. This trend is consistent with the evolution of the community development industry as an alternative tool for public policy implementation. Government-led efforts at community development have historically lacked coherence and effectiveness (Twelvetrees, 1996; Walker, 2002). CDCs, meanwhile, are increasingly becoming alternative agents for the delivery of public services (Rubin, 2000; Silverman, 2001; Walker, 2002). Also, the provision of public housing has effectively been privatized (Schill, 1994). Some public housing authorities are now forming partnerships with CDCs to develop housing (Shafer, 2002). As this type of collaboration becomes more common, CDCs will need to be even more astute in their management of local relationships.

#### Partnerships and Collaboration

Because revitalizing neighborhoods is a complex and multifaceted task, community development requires cooperation among the public, private and nonprofit sectors (Rubin, 1993; Twelvetrees, 1996; Walker, 2002; Reingold and Johnson, 2003). This phenomenon is intimately related to the availability of funding, because each sector can access different pools of money or other resources. CDCs seek out private- and public-sector partners to access resources (Yin, 1998). Private-sector actors can provide financial resources such as sponsorships, loans, and technical expertise; if they purchase tax credits, the CDC may receive a developer fee (Twelvetrees, 1996). CDCs can access

philanthropic and public dollars while maintaining valuable community connections (Rubin, 1995; Twelvetreets, 1996). Local public housing authorities can use their Section 8 voucher programs to provide vital operating dollars for a CDC's affordable housing development (Shafer, 2002).

Another type of collaboration happens among CDCs when they organize into coalitions, networks and trade associations to serve a variety of purposes. In the early 1970s, CDCs formed the National Congress for Community Economic Development (NCCED), a first step in building the national community development movement (Twentieth Century Fund, 1971; Pitcoff and Widrow, 1998). Since then, groups have formed to serve national, regional, state and local interests. Coalitions help CDCs "keep the faith" and remember the big picture (Rubin, 1995; Holtzman, 2005), and offer members the opportunity to share ideas, sponsor research and share knowledge to help develop capacity. Groups also help raise more money for community development projects by collectively pressuring City Hall for funding (Rubin, 1993, 1995, and 2000; Pitcoff and Widrow, 1998; Holtzman, 2005).

Before the mid- to late-'90s, CDC coalitions were primarily activist groups focused on resolving specific problems with City Hall (Rubin, 1993 and 1995), or responding to specific needs of participant CDCs (Walker, 1993; Holtzman, 2005). In the mid-'90s, the focus shifted toward working to promote the community development industry as a whole (Pitcoff and Widrow, 1998; Holtzman 2005) and influencing public policy at a larger scale (Clavel et al, 1997; Rubin, 2000; Holtzman, 2005). The emergence of national, regional and local intermediaries and funding collaboratives in the

1990s also provided forums for knowledge sharing and improved funding availability (Walker, 1993 and 2002; Yin, 1998).

Collaboration increased across the board through the 1990s (Walker, 2002). In addition to the traditional trade groups, the newest literature includes more mentions of CDCs seeking partnership opportunities with other CDCs, such as mentoring arrangements between new groups and more experienced CDCs (Rubin, 2000; Holtzman, 2005). Contemporary federal policy regarding the community development finance system has encouraged the formation of partnerships among nonprofits, for-profit developers, private investors and all levels of government (Committee on House Government Reform, 2006). In fact, Young (2006) recently characterized American community development efforts as reliant on external collaborations. The latest community economic development policies focus on collaboration and partnership within and among communities (Shaffer et al, 2006). Even public housing authorities (PHAs) are forming funding consortia: groups of two or more PHAs that come together to operate their housing programs, apply for funding and meet reporting requirements (Morgan, 2005).

Partnerships grow out of necessity because of the uncertainty of the funding situation, the affordable housing crisis, and the need to diversify product offerings (Peterman, 2000; Walker, 2002; Shafer, 2002; Holtzman, 2005). Today's funding environment is especially uncertain because of recent cuts in the CDBG program. As a result of the collaborative development process and the necessity of working with outside parties, CDCs are becoming more integrated in the development system (Yin, 1998;

Reingold and Johnson, 2003). Today's creative partnerships are a notable improvement from the early 1990s, when Vidal (1992) found that integrated local systems of program delivery and support for CDCs existed in very few cities, and the number and commitment of willing partners in CDC community-building activities was still very modest in many places.

The increase in community development collaboration seems to coincide with a contemporary interest in social capital, or "connections among individuals – social networks and the norms of reciprocity and trustworthiness that arise from them" (Putnam, 2000, p.19). Interest in social capital among policymakers and practitioners of community development is increasing (Williams, 2006). This interest is related to a current theory that "embedded social relationships among community residents are valuable and even necessary resources for communities" (Agnitsch et. al, 2006, p.36). For example, Bridger and Alter (2006) argue that isolation of and instability in poor urban communities makes it difficult to build the social capital necessary for effective community development. They propose a model for community development that focuses on developing relationships among various social interest groups, rather than relying on place-based strategies. It follows that CDCs could increase their effectiveness through building new relationships with outside partners. The proliferation of partnerships within the community development industry will undoubtedly create both opportunities and challenges for CDCs in years to come.

### Summary

The primary mission of CDCs is the revitalization of low-income, distressed communities, with an emphasis on physical development projects. The focus of community-based developers has evolved over time, influenced by the prevailing political environment and funding availability. Recently, a comprehensive approach including the provision of services has been favored. CDCs are generally neighborhood-based, but contemporary conditions put pressure on CDCs to expand beyond their traditional boundaries. Intermediaries have improved the technical capacity of CDCs, but the issue is an ongoing concern, especially following the demise of several high-profile groups in the late '90s. The prominence of community organizing efforts and the influence of outside funders continues to be debated.

CDCs must cobble together operating funding and project financing from various government, private and self-generated sources. While obtaining private financing may have become easier in recent years, the funding outlook is complicated because of increasing competition for philanthropic funds, bank mergers, and reductions in Federal subsidies. Locally-provided government dollars may have increased in the late '90s as CDCs are increasingly becoming alternative agents for the delivery of public services. Uncertainty in the current funding situation, the need to diversify housing product offerings and heightened interest in affordable housing have encouraged an increase in collaboration among CDCs and other external partners (e.g., nonprofit service providers, private developers, and public housing authorities). The increase in collaboration

corresponds with contemporary theory asserting the importance of social capital for successful community development.

### **Hypotheses and Research Questions**

My hypotheses were that Richmond CDCs have expanded geographically, formed new partnerships with outside organizations, and/or expanded their housing product development efforts to include mixed-income, mixed-use or other new housing types. These strategies are being employed to respond to the decreasing availability of properties for redevelopment, increasing development costs, an uncertain funding environment, and demand for new housing types. Based on the literature review, I expected to hear similar results from the CDCs in Atlanta.

The experience of working at the LISC office led me to believe that the Richmond community development industry was undergoing some changes. During my time there, three executive directors were ousted by their boards or had their positions eliminated; two neighborhood-based CDCs were contemplating expanding their services into other areas; the LISC office had initiated foreclosure proceedings against another group (a rare occurrence), and was implementing a process to limit the number of CDCs it would support. At the same time, several groups were winning statewide and national awards for their work. I wanted to know what factors were changing in the community development industry, how the different groups were dealing with the changes, and how Richmond's evolution compared with nationwide accounts from the published literature. I focused my research on answering this question: How are CDCs in Richmond, Virginia adapting to the challenges and opportunities of contemporary community development?

A secondary research question permitted comparison of my results in Richmond with another city: Are CDCs in Atlanta, Georgia facing the same challenges and opportunities, and are they employing the same strategies as Richmond CDCs<sup>4</sup>?

The interviews were designed to determine exactly what the “challenges and opportunities of contemporary community development” were, if any, as experienced by the interviewees. I looked for evidence of changes in their organizations, by asking what their organizations looked like in the early days of their existence versus their current characteristics. I was able to compare this information with the published literature on CDCs and other documents (i.e. newspaper articles, annual reports, etc.).

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<sup>4</sup> For a discussion of why these two cities were selected for study, refer to the “Selecting the geographic areas for investigation” section of the Research Design Methodology chapter.

### III. Research Design Methodology

#### The Qualitative Approach

The methods employed in this study were developed to gather a wide range of information from participants, including both quantitative and qualitative data. For example, I collected information on staff size of CDCs as well as the directors' priorities for organizational development. However, as reflected in my research question, my main interests were in qualitative issues: *How* has the environment changed for CDCs? *How* have they adapted? Some of the strengths of a qualitative approach are, as described in Maxwell (1996):

- Understanding the *meaning* of events, actions and situations for the participants;
- Understanding the *context* the participants work in, and the influence of that context on their actions;
- Identifying *unanticipated phenomena*, e.g., what explanations might exist outside of established theory;
- Understanding the *process* by which events take place; and
- Developing *causal explanations*.

Collecting quantitative data did inform the development of the research question, and I also employed some methods in data analysis that might be described as quantitative, i.e. determining the frequency of a response to a particular question. I was not interested in merely accounting for the incidence of a particular action taken by CDCs, but rather



linking actions with their historical context and investigating why the actions were taken.

Therefore, I approached this study as a qualitative one.

### **Selecting the Geographic Study Areas**

I selected Richmond as my primary area for investigation and then chose Atlanta as a comparison city as described below.

#### **Richmond, Virginia**

I selected Richmond as my primary area of study for two reasons. First, I had good access to the key players in the community development industry. Because I live in Richmond, I was able to meet with the informants in person at their convenience. Also, I had some existing knowledge of the local community development industry and was already acquainted with many of the informants as a result of my experience working for Virginia LIISC. Second, community development in Richmond has been active for more than 15 years. During this time, CDCs have produced considerable results and have experienced several life cycle phases: early establishment, rapid growth, and now a kind of plateau marked by organizational upheaval and a changing of the rules of the game. Richmond's community development industry is small enough to study in detail, but large and diverse enough to exemplify a variety of approaches to the work. Richmond has been growing rapidly during the past 15 years, and is experiencing an increasing shortage of affordable housing. CDCs are experiencing more pressure in a climate of diminishing federal funding.

Atlanta, Georgia

In order to test my hypothesis about the evolution of CDCs, it was necessary to select another city for comparison. Although Atlanta is a larger city than Richmond with a commensurately larger community development industry, it bears some characteristics that make it useful for comparison. First, the Atlanta community development industry has been active for a similar length of time as Richmond. Several CDCs existed in the 1980s in both cities. The establishment of the local intermediary happened in 1990 in Richmond when the LISC office opened. In Atlanta, the Atlanta Neighborhood Development Partnership was established in 1991, and the Enterprise Foundation office opened in 1994. The literature agrees that intermediaries ushered in a new era for CDCs by marshaling new financial support and providing vital technical assistance for CDCs (Walker, 1993 and 2002; Clavel et al, 1997; Accordino, 1997). I surmised that because the industries have been active for a similar length of time, the CDCs may have experienced a similar trajectory of change over the years.

Second, there are some demographic similarities between the two cities. Atlanta and Richmond are both in southeastern metropolitan statistical areas (MSAs) showing population growth since 1990. The U.S. Census Bureau population counts showed a 15.1 percent increase in the Richmond MSA between 1990 and 2000, and a 45.1 percent increase in the Atlanta MSA during the same decade. Urban – and suburban – growth influences local community development, which is influenced by real estate market conditions and development patterns. Both regions experienced economic growth over the past 15 years. The MSAs have similar poverty rates: in Atlanta, 9.4 percent of

individuals and 6.9 percent of families have incomes below the poverty line, compared with 9.3 percent of individuals and 6.8 percent of families in Richmond (U.S. Bureau of the Census, 2000). The two MSAs also show a similar racial makeup, as illustrated in Table 1 below. The racial makeup is primarily white and black or African-American in both cities. The Atlanta MSA does have a higher percentage of people of Hispanic origin (any race) at 6.5 percent compared with 2.3 percent in the Richmond MSA. Minority status is an important consideration because CDCs generally share a primary mission: the revitalization of low-income, distressed communities (Walker, 1993 and 2000), many of which have been in minority neighborhoods.

**Table 1: Racial makeup of the Atlanta and Richmond MSAs by percent of total population. (Source: U.S. Bureau of the Census, 2000).**

<b>MSA</b>	White	African-American	American Indian / Native Alaskan	Asian	Native Hawaiian	Some Other Race and Two or More Races
Atlanta	63.0	28.9	0.3	3.3	0	4.5
Richmond	64.9	30.2	0.4	2.1	0	2.4

Finally, Silver and Moeser (1995) argued that a “remarkable similarity in settlement patterns evolved in the African-American community” of Atlanta and Richmond consisting of self-contained cities where black residents lived and operated businesses, notably separate from the larger, white-controlled metropolis<sup>5</sup>. The residential patterns were enforced by public policies such as segregationist real estate practices, highway construction, urban renewal and slum clearance, and/or annexation. Both provided evidence that the separate cities set the stage for black political empowerment.

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<sup>5</sup> Silver and Moeser’s study also included Memphis, not included here for discussion.

Atlanta elected an African-American mayor and a black majority on the City Council in 1973; Richmond followed suit in 1977. However, the increase in political power has not been able to ameliorate the troubling situation of many urban African-Americans, isolated in deteriorating inner-city neighborhoods lacking in economic opportunity, a persistent problem (ibid.). “The economic divisions of [both] cities... are still largely definable by race. ...The movement of middle-class blacks out of the older districts to the suburbs may well expand the boundaries of the separate city, but it also drains the historic black neighborhoods of the urban core of important resources and networks” (ibid., p.185).

### **Research Relationships**

I was previously acquainted with many of the Richmond informants as a result of my previous employment with LISC<sup>6</sup>. I had a friendly rapport with several CDC directors and several other interviewees based on frequent communication between our respective offices. The program director at Virginia LISC, a key informant, was my former employer. There are several potential impacts to consider:

- Setting appointments with many of the Richmond informants was easy because they already knew who I was. This influenced my decision to study Richmond.
- Many of the Richmond key informants, because they knew and presumably trusted me, were willing to be quite candid in their remarks about the

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<sup>6</sup> The relationships that a researcher has with his or her informants can impact the researcher, informants and other parts of the study design (Maxwell, 1996). One way to handle this problem is to define any relationships and evaluate how they might affect the results early in the process, reporting them in the methodology so that readers are aware of these potential impacts. Researchers must consider these factors during the study design process and also during evaluation of the data.

challenges they faced and problems they had experienced. I may not have been able to gather some of the information had these prior relationships not been established. For the Atlanta group, I had to spend more time introducing myself, establishing rapport and legitimizing my research efforts to gain entry and to get the same high quality of input from them.

- The Richmond informants' openness with me may have been tempered by two factors: the likelihood of my sharing information with their peers, and the likelihood of my pursuing career opportunities within the industry following completion of my degree. I tried to address these concerns by offering anonymity for sensitive comments when requested by the interviewee.
- When I left Virginia LISC, the organization was in the process of restricting its assistance to a smaller group of CDCs. This was causing some consternation among the CDCs who anticipated being left out of future grant or technical assistance opportunities. Furthermore, not all of the executive directors were in agreement with LISC about their own CDCs' work, and some personality conflicts between certain CDC directors and the LISC program director may have been in play. Therefore, my previous affiliation with LISC – though I had only worked as an administrative assistant – may have been viewed negatively by several of the interviewees. I was aware of this conflict ahead of time and so tended to downplay my former employment with those interviewees, focusing instead on my scholastic experience with the University.

## **Data Collection**

### Sampling

I conducted this study primarily through a series of structured interviews with key informants in the CDC industry. Interviewees are listed in Appendix A. Because my interests were in policy matters that would be discussed at high levels within organizations, I chose to focus the study on persons in leadership positions, especially executive directors of the CDCs. In Richmond, I interviewed 11 executive directors representing 10 CDCs. That represented all but one CDC in Richmond, or 91 percent of known CDCs. In Atlanta, I interviewed 10 executive directors representing 10 CDCs.

That represented between 53 and 56 percent of known CDCs in Atlanta<sup>7</sup>. I supplemented the CDC sample group with other “outside experts” from agencies or organizations that interact with many CDCs. Sampling techniques are described in more detail below.

### Richmond Interviewees

To identify CDCs in Richmond, I used the list of CDCs that had worked with Virginia LISC (formerly Richmond LISC) in recent years. LISC is an intermediary that supports CDCs, keeps updated contact information, and is knowledgeable about local actors in the community development industry by virtue of its leadership and funding roles. All of these groups have been involved in housing activities within the City of Richmond. I endeavored to interview 100 percent of the directors of those target CDCs. I took this approach to minimize the impact of key informant bias, a validity problem stemming from the sampled informants having atypical views. I was able to interview all but one of these CDC directors.

I also sought out informants other than CDC directors to provide a broader perspective on the local community development environment. These individuals were knowledgeable on issues impacting the local industry as a whole, and could often generate conclusions based on the experiences of many different CDCs. For key informants other than CDC directors, I employed “purposeful sampling” or “criterion-based sampling” strategy as described in Maxwell (1996). This is a strategy wherein particular persons are selected deliberately to collect information that can not be obtained

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<sup>7</sup> The most current and comprehensive listing of Atlanta community development organizations available was the City of Atlanta’s Directory of Neighborhood Organizations for 2006-2007 (City of Atlanta, 2006). I was able to identify 18 to 19 CDCs on that list, depending on whether one includes the Community Housing Resource Center (CHRC). The CHRC was formerly an intermediary-type organization, but is now transitioning to a CDC role (Sampson, 10-20-06).

as well from other sources (ibid.). I first identified institutions that support or otherwise work with a large number of CDCs to achieve community development goals: the city's Community Development department, the state's Department of Housing and Community Development, the Federal Reserve Bank of Richmond's Community Outreach department, and the local community development intermediary. I then consulted with the CDC directors and the director of the community development intermediary on which individuals at these organizations would be the most knowledgeable and have the broadest perspectives on local community development. I had five of these "outside experts" in the Richmond group of interviewees.

#### Atlanta Interviewees

To identify target CDCs in Atlanta, I started with a list of partner CDCs from the ANDP web site, which I confirmed with a staff member at ANDP. I also conferred with two staff members of the local Enterprise office to find out which groups they work with<sup>8</sup>. The intent was to find intermediary-supported CDCs in Atlanta, to select a group that would be comparable with Richmond's intermediary-supported CDCs. To make the list more comparable to the Richmond study group, I eliminated several groups on the Atlanta intermediaries' lists because they worked primarily outside the city of Atlanta in neighboring counties (Cobb Housing Inc., Henry County Residential Housing, and the IMPACT! Group). I added two groups that were not on ANDP's or Enterprise's lists: the local Habitat office, because I had interviewed the Richmond Metropolitan Habitat for

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<sup>8</sup> Due to some confusion about the groups working in the English Avenue area, I interviewed the Bethursday Development Corporation (not on the intermediary lists), formerly the English Avenue Development Corporation, rather than interviewing the English Avenue Community Development Corporation (which was on the intermediary lists). I did reach out to the English Avenue CDC in October and again in November, but was unable to contact anyone in time to include in my results.

Humanity's director, and the Atlanta Mutual Housing Association (AMHA). The AMHA is a NeighborWorks institution, and I had one NeighborWorks group on my Richmond list (Neighborhood Housing Services). Also, one of the AMHA's staff members informed me that the group's director would be a helpful and knowledgeable informant for my study.

I was unsuccessful in reaching the director of the Tyler Place CDC. Also, despite many attempts, I was unable to reach anyone at the Lynwood Park CDC. The Lynwood Park CDC may not currently be staffed, as their voice-mail and e-mail boxes have been full for several months and their fax machine has been disconnected. They also didn't appear on the list of neighborhood organizations published by the City of Atlanta (2006).

My intent with the Atlanta group was to test my findings in Richmond, so my primary focus was on the CDCs. However, as in Richmond, I sought to interview several other knowledgeable individuals outside of the CDC directors to add a broader perspective. I selected three organizations, all intermediaries in Atlanta, that were most likely to have worked with many CDCs: Enterprise Community Partners, the Atlanta Neighborhood Development Partnership (ANDP) and the Community Housing Resource Center (CHRC). I would later discover that CHRC was making the transition from being an intermediary-type organization to being a CDC-type organization.

#### Preliminary Interviews in Richmond

To gather preliminary information from the Richmond informants, I employed a structured interview process, asking a combination of closed and open questions using the scripts attached in Appendix B. The "outside experts" had a different set of questions



than the CDC directors, and the experts' questions were adjusted as necessary for applicability. I conducted this preliminary round of interviews in the spring of 2006. All but one of the preliminary interviews were conducted in person; the other one – a senior planner in the City of Richmond's Department of Community Development – was conducted over the telephone. Interviews ranged from approximately 50 minutes to four hours in duration. During each of the interviews, I took detailed notes by hand.

#### Follow-Up Interviews in Richmond

I conducted a round of follow-up interviews in Richmond in the fall of 2006 to gather more information relating to my hypotheses and to clarify previous responses if necessary. The follow-up interview questions, included in Appendix B, were tailored to the particular interviewee based on their previous responses. The follow-up interviews were conducted with the same individuals as the preliminary interviews, with the exception of one group, OHHIC, that had made a transition from an interim director to a permanent executive director, and one interviewee from the original group whom I was unable to reach for a follow-up interview<sup>9</sup>. The follow-up interviews were all conducted over the phone and generally lasted from 15 to 30 minutes. In addition to taking notes by hand while the interviews were underway, I taped the follow-up interviews and transcribed them.

#### Interviews in Atlanta

I conducted interviews with the Atlanta informants over the phone during the fall of 2006. As in Richmond, I employed a structured interview process, asking a

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<sup>9</sup> Regina Watson of Interfaith Housing Corporation.

combination of closed and open questions using the scripts attached in Appendix B<sup>10</sup>. The “outside experts” in Atlanta had a different set of questions than the CDC directors, and the experts’ questions were adjusted as necessary for applicability. I asked a more targeted set of questions in Atlanta than Richmond, because my intent was to test my hypotheses with the Atlanta group to determine whether my findings were applicable outside of Richmond. The interviews with CDCs generally lasted from 45 minutes to one hour. The interviews with the outside experts lasted between 30 minutes and one hour. In addition to taking notes by hand while the interviews were underway, I taped the follow-up interviews and transcribed them. When necessary, I sent interviewees e-mails to request missing information, and they would respond via e-mail.

### **Data Analysis**

Data analysis began during my review of the relevant published literature on community development. This process was important in helping me identify topics to investigate in the preliminary interviews. When I wrote the interview questions, I included those topics of interest. I also included some open-ended questions to allow the CDCs and their supporters to expound on topics I did not specifically ask about. Data analysis of the interview data was conducted as described below.

### **Preliminary Interviews**

Once I had completed several of the preliminary interviews in Richmond, I carefully reviewed the notes of each interview, highlighting salient points and underlining quotes of interest. I began coding the information based on topics, and started developing

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<sup>10</sup> One CDC director, Janis Ware of SUMMECH, provided her responses in writing because of schedule conflicts.

some tentative ideas about categories for later analysis. After each succeeding interview, I continued in this way. In order to make sense of the information, I used an iterative categorizing approach similar to that described in Maxwell (1996), putting the interviewee's responses into groups. The more interviews I reviewed, the more potential categories for investigation became evident. I would then go back into the earlier interviews and add to my initial notes, jotting memos on possible connections.

Once I had collected most of the preliminary interview data, I employed tables and lists to analyze some of the responses. This was helpful in tracking the frequency of certain comments, such as how many respondents said that they were worried about the change in city administration<sup>11</sup>. Because I wanted to maintain connections with the context of the respondents, I kept the respondents and their comments linked in my tables. The preliminary data analysis permitted me to draw some conclusions about barriers and changes in the community development industry, and how the groups were handling them. Certain points emerged as being most important or prevalent in the data, and from these I developed my hypotheses.

#### Follow-up Interviews in Richmond / Atlanta Interviews

The follow-up interviews in Richmond and the interviews in Atlanta served to provide more information by which to test the hypotheses. I employed the same iterative categorizing process used above for the preliminary data. I then used spreadsheets to organize responses, and finished by grouping responses into topical areas or categories.

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<sup>11</sup> This type of approach could be described as "quasi-statistical" as noted in Maxwell (1996), and borrows from the world of quantitative analysis.

### **Validity**

The interviews provided a wealth of useful information and enabled me to formulate and test the hypotheses. While the structured interview was an appropriate method for this study, some of the risks associated with interviews are interviewer bias, poor recall, and poor or inaccurate articulation of the interviewees (Yin, 1994). I sought to minimize these risks using several techniques.

First, the interviews were designed to eliminate leading questions. For example, instead of asking “How did your mission statement change over the years?” I asked what their mission statement was at the time of the group’s formation, and what it is currently. This meant adding more analysis on my end, but it helped to reduce the impact of my own biases or ideas. I also took a broad approach in the preliminary interviews, touching on many different topics, and ended the interviews with an open invitation for the interviewees to comment on areas we didn’t discuss. I also gave them my contact information so they could contact me later if they wanted to add anything to their comments or if they remembered additional important points. My hope was to allow the CDCs and their supporters to express, in their own words, the barriers they were facing and how their operations were changing.

In addition to the preliminary interviews, I consulted other sources of information. I read local newspaper articles, reports produced by the intermediaries, annual reports and other materials published by the CDCs to further my understanding of the issues.

Once I had developed the outlines of my findings in Richmond and Atlanta, I sent them to the informants in their respective cities to provide interviewees with an

opportunity to give feedback or suggest corrections. This technique is referred to as “member checks” (Maxwell, 1996). This step served to test my hypotheses further, and to mitigate any unintended bias on my part<sup>12</sup>.

Interviewing can be a valuable way to get descriptions of actions and events, especially those in the past. One concern with this approach might be the limitations of the interviewee’s memory and the historical accuracy of the interviewee’s accounts. Asking specific questions about past events or conditions, rather than asking questions that only produce abstract generalizations, is the preferred approach (ibid.). Corroboration using other sources is also helpful. I tried to address this concern by consulting other sources where available and asking specific questions regarding the past. This is an issue that I feel cannot be completely overcome within the time constraints and the data available for this study. Many records (agendas, meeting notes, etc.) predating 2000 were not available because they had been purged from the files. Nevertheless, the impact on my results should not be a serious threat to its validity. The interviewees’ perceptions and memories, flawed as they might be, have provided the impetus for their leadership decisions up until now and have shaped their current policies. Maxwell (ibid.) made a helpful point: “The real interest is how participants make sense of what has happened, and how this perspective informs their actions, rather than determining precisely what they did” (p.58).

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<sup>12</sup> Only one respondent from each city replied with comments about the outlines. This low response might have resulted from schedule constraints among interviewees, limiting their time to read the findings and respond.

### Applicability and Limitations

The focus of this study was on urban CDCs that are involved in housing activities. Selecting intermediary-supported CDCs as my study group favored larger, more established groups. These groups may express an approach to community development that is more in line with the intermediaries' approach than the groups not included in this study. Selecting intermediary-supported CDCs for studies on CDCs in general is not unusual, and was employed by Vidal (1992) and Walker (1993), for example. The conclusions reached by this study may not apply to groups that do not have a relationship with a community development intermediary, rural CDCs, or CDCs that are not involved in housing activities. The results may not apply to multi-regional nonprofit housing producers, which were not included in my sample group. Further study should be done on different types of CDC not included here. The results, which have not been tested outside of the southeastern U.S., may also be limited to the study areas of Richmond and Atlanta. Further study would be necessary to determine the applicability of these conclusions to other cities and/or countries.

Every CDC is different, and the known number of CDCs in both Richmond and Atlanta was fairly small. Some variations in detailed information – for example, how many groups in each city reported involvement in a specific activity – may have resulted from differences in the sample groups rather than larger differences in the community development environment. For example, the study group in Richmond included a CDC whose main focus is on serving formerly homeless individuals, while the Atlanta sample did not have a similar CDC. Selecting intermediary-supported CDCs in Atlanta as a

sample group was appropriate, given that all interviewed CDCs in Richmond have received support from LISC. When selecting interviewees in the two study areas, I created two groups that would be sufficiently similar to make comparisons between the Richmond and Atlanta community development industries on the whole.

## IV. Richmond Results

### Key for Richmond Interviewees

For the reader's convenience, a key for Richmond Interviewees is included below in Table 2.

**Table 2: Key to Richmond Interviewees, by Last Name of Interviewee.**

<b>Name</b>	<b>Organization</b>	<b>Abbreviation</b>	<b>Type of Interviewee</b>
Antonick, Jim	Oregon Hill Home Improvement Council	OHHIC	CDC Director
Finley, Charles	Historic Jackson Ward Association	HJWA	CDC Director
Gaines, Wallica	Highland Park Community Development Corporation	HPCDC	CDC Director
Garvin, Kathy	Richmond Metropolitan Habitat for Humanity	Habitat or RMHH	CDC Director
Haines, Lyn	Elderhomes	Elderhomes or EHC	CDC Director
Harris, Greta	Virginia LISC	LISC	Intermediary
Middleton, Bo	Southside Community Development & Housing Corporation	SCDHC	CDC Director
Sacks, David	City of Richmond	n/a	Outside Expert
Shelton, Bill	Virginia Department of Housing and Community Development	DHCD	Outside Expert
Somanath, TK	Better Housing Coalition	BHC	CDC Director
Tatar, Dan	Federal Reserve Bank of Richmond	n/a	Outside Expert
Townsend, Allen	Oregon Hill Home Improvement Council	OHHIC	CDC Director
Tousignant, Alice	Virginia Supportive Housing	VSH	CDC Director
Ubarry, Grizel	Grizel Ubarry, Inc. (consultant)	n/a	Outside Expert
Watson, Regina	Interfaith Housing Corporation	IHC	CDC Director
Woody, Marcia	Richmond Neighborhood Housing Services	NHS	CDC Director



### **Long-Term Growth and Development**

During the past 15 years or so, community development corporations in Richmond have succeeded in areas of providing quality affordable housing, promoting sustainability, and preserving historic neighborhoods, among others (for ex. Harris, 3-2-06; Ubarry, 4-13-06). One noteworthy success has been the Neighborhoods in Bloom program, a collaborative effort started in 1999 to revitalize select Richmond neighborhoods. Local CDCs implemented redevelopment plans funded through the City of Richmond's CDBG and HOME funds, as well as various kinds of financial support from the Richmond Local Initiatives Support Corporation (LISC). The program has been recognized nationally as a high-performing collaboration (Shepherd, 2003), and recent studies have shown a measurable impact in the form of substantially greater appreciation in the market values of single-family homes in targeted areas (Galster et al, 2006).

Another indication of success is that CDCs are being invited in by neighborhoods and/or jurisdictions, as reported by a number of CDCs, including Elderhomes, Interfaith Housing Corporation (IHC), Virginia Supportive Housing (VSH), Neighborhood Housing Services (NHC), Southside Community Development and Housing Corporation (SCDHC) and Richmond Metropolitan Habitat for Humanity (RMHH). The phenomenon was also noted by consultant<sup>13</sup> Grizel Ubarry (4-13-06) and Bill Shelton, director of the Virginia Department of Housing and Community Development (4-27-06). Bo Middleton of SCDHC said, "Whenever you're effective in meeting the need, it'd just cause more

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<sup>13</sup> Grizel Ubarry works as a consultant for Virginia LISC to provide technical assistance for CDCs in Richmond, especially in regards to organizational development.

people to come to your door... We are consistently being invited into other communities” (9-26-06).

A local coalition, the Richmond Community Development Alliance (RCDA), was formed in 1994 to give the local industry a voice (Tatar, 4-4-06). This was predated by the formation of the Better Housing Coalition in 1988, which was initially envisioned as an umbrella organization (Somanath, 3-23-06; Hodder and Silvers, n.d.), and the establishment of the local LISC office in 1990 (Hodder and Silvers, n.d.). The Virginia Housing Coalition also serves statewide practitioners, having been in operation since 1981 (Virginia Housing Development Authority, 2006). On the whole, Richmond community developers have come a long way since 1989, when Orlando Artze, first director of Richmond LISC, described the local community development situation as follows: “There was... little or no capacity on the part of the community development corporations... - some were brand new, some had been around as long as ten years. Only one or two even had any full-time paid staff. Only one had any kind of track record in actual housing development” (quoted in Hodder and Silvers, n.d., p.11).

Interviews for this study showed that since their formation, CDCs have generally added additional paid staff members, and have become directly involved in more community development activities. Ubarry (4-13-06) noted staff growth and the addition of middle management as a notable change in the quality and quantity of CDCs’ work. Staff growth from formation to 2006 is shown in Table 3 below. It should be noted that several groups reported an expansion and contraction of staff size over the years, such as the Historic Jackson Ward Association (Finley, 6-2-06), the Oregon Hill Home

Improvement Council (Townsend, 3-15-06) and Neighborhood Housing Services (Woody, 5-3-06).

**Table 3: Paid staff members (full and part-time) of Richmond CDCs at formation and in 2006.**

	Formation	Spring 2006
BHC	3	50
EHC	7	28
HJWA	0	0
HPCDC	1	7
IHC	2	6
NHS	3	6
OHHIC	1	4
RMHH *	0	16
SCDHC	1	5
VSH	1	32
<b>Average</b>	<b>1.9</b>	<b>15.4</b>

\* Spring 2006 staff number doesn't include Americorps volunteers or ReStore employees.

The average number of activities undertaken by the groups has also increased, as shown in Table 4 below. Though not shown here, many groups also reported indirect involvement in more activities through making referrals for additional services.

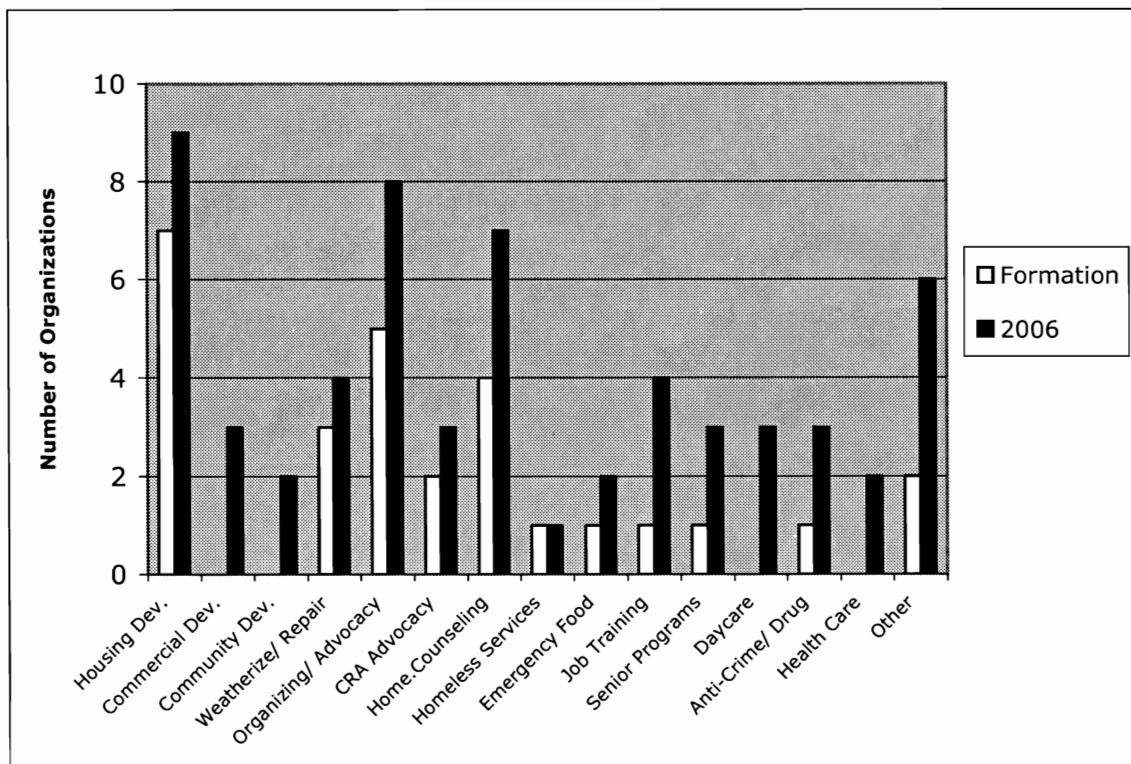
**Table 4: Number of community development activities that Richmond CDCs report direct involvement in, at formation and in 2006.**

	Formation	Spring 2006
BHC	3	14
EHC	4	7
HJWA	1	2
HPCDC	4	6
IHC	1	3
NHS	2	4
OHHIC	3	3
RMHH	1	4
SCDHC	2	10
VSH	7	7
<b>Average</b>	<b>2.8</b>	<b>6</b>

Interview results suggest that CDCs have become more comprehensive in their approach to community development. This corresponds with a national trend toward comprehensiveness as noted by Accordino, 1997; Clavel et al, 1997; Eisenberg, 2000;

and Walker, 2002. Comprehensive community development enhances physical redevelopment of housing by adding other types of development and services for residents, such as job training, homeowner education, business development and childcare. In Richmond, this evolution was noted by Harris (3-2-06) and Shelton (4-27-06). CDC interviewees reported increased involvement in activities beyond their traditional role of housing development, as shown in Figure 1 below. More groups reported involvement in community organizing and the provision of services such as senior programs and homeowner counseling.

**Figure 1: Types of activities that Richmond CDCs report direct involvement in, at formation and in 2006.**



Existing reports indicated movement toward greater comprehensiveness around 2000 or 2002. For example, a LISC report from 2000 noted that the Better Housing

Coalition (BHC) and the Interfaith Housing Corporation (IHC) were working on multifaceted community development efforts incorporating housing, childcare and commercial development in one area (Richmond LISC, 2000). In 2002, a CapMap Industry Report produced by LISC noted that “several of the CDCs have expanded into the development of commercial and community facilities while others have expanded their housing production,” but also that “CDCs need more exposure to successful CDC models across the country in the areas of housing and commercial real estate, workforce development and business development” (Richmond LISC, 2002, pp.3-4).

Interview results also showed that mission statements in many organizations have been broadened to include language that is more inclusive of the neighborhood as a whole. For example, the mission of IHC used to be building affordable housing; now it’s “to provide decent, affordable, quality homes to first-time homebuyers in healthy neighborhoods” (Watson, 5-12-06). The original mission of BHC was to provide affordable housing, solve homelessness, and advocate for the cause; now the mission is to invest in neighborhoods, creating housing while creating sustainable communities (Somanath, 3-23-06). Also, some organizations added elements beyond housing to their statements. For example, Elderhomes’ original mission was to improve the housing conditions of low-income elderly and disabled people; now the mission is to improve the quality of housing *and living conditions* of lower-income older adults and persons with disabilities (Haines, 3-10-06). The original mission of the Oregon Hill Home Improvement Council (OHHIC) was to preserve Oregon Hill and provide affordable housing (Townsend, 3-15-06); now it’s “Preserving Richmond's older neighborhoods by

providing historic quality affordable housing, home repair, credit and housing education and supporting neighborhood businesses” (OHHIC, 2006).

Many of the non-CDC interviewees said that over time, CDCs have become more business-like (Harris, 3-2-06; Sacks, 4-11-06; and Tatar, 4-4-06). Although eight groups said they were still involved in community organizing and advocacy, some CDC interviewees mentioned a shift in focus from earlier organizing roles to a greater focus on physical development (Somanath, 3-23-06; Gaines, 3-1-06; Townsend, 3-15-06; and Woody, 5-3-06). Wallica Gaines of Highland Park CDC (HPCDC) said, “Our role has shifted from organizing to being a developer. The community struggles sometimes with that; they think we should do things like a civic organization, but that’s not our role anymore” (3-1-06).

Richmond CDCs continue to work on improving organizational capacity. Some CDCs have been implementing new technology to improve efficiency and communications. For example, Neighborhood Housing Services (NHS) does an annual technology assessment using a consultant (Woody, 5-3-06). HPCDC recently upgraded their technology to include wireless service, an upgraded website and remote workplace access (Gaines, 3-1-06), and Virginia Supportive Housing (VSH) recently installed a computer network (Tousignant, 2-28-06). Technology still presents a barrier among CDCs, because CDCs often don’t have enough money to purchase new technology or enough time to train staff (Ubarry, 4-13-06). CDCs and the organizations that work with them may be putting more focus on tracking or measuring progress. Elderhomes, for example, started tracking their accomplishments about five years ago (Haines, 3-10-06);

SCDHC started working on this more recently (Middleton, 3-7-06). Virginia LISC has traditionally measured production output and leveraged investment, i.e. how much the development projects cost and what LISC contributed (Harris, 3-2-06) but this intermediary is also growing its GIS-based Neighborhood Indicators System (Virginia LISC, 2005) which measures changes in community characteristics such as crime and homeownership. The City of Richmond's Department of Community Development measures quarterly housing output for reporting to HUD (Sacks, 4-11-06). The Federal Reserve Bank of Richmond's community development office is grappling with how to measure its progress or achievement, but looks for evidence of its work in community change (Tatar, 4-4-06).

Though it may be a slightly older development, CDCs are still working to build and formalize marketing and fundraising functions. The 2002 CapMap report produced by LISC noted that "All but four of the 12 CDCs have some fundraising capacity within the organization whether it is part-time or full-time development staff or contracted grant-writing consultants" (Richmond LISC, 2002). In interviews, some CDCs described hiring new fundraising staff members and working on new marketing materials (Middleton, 3-7-06; Haines, 3-10-06; and Woody, 5-3-06). Ubarry (4-13-06) noted that many groups are recruiting fund development staff members, especially to manage new signature fundraising events such as VSH's Pajama Jam and HPCDC's Mardi Gras Masquerade.

The top priorities for organizational development among Richmond CDCs are diverse, but tend to fall within these categories:

1. Finding funding solutions and improving financial stability. For example, Watson's priorities for IHC included working on paying back loans and nurturing relationships

with funders, as well as crafting short-term funding solutions (5-12-06). Garvin's priorities for Habitat included developing a strategy for economic self-sufficiency (4-28-06).

2. Board development. For example, Woody reported putting a high priority on identifying board members who could help with fundraising at NHS (5-3-06), and Townsend wanted to focus on strengthening a new board of directors at OHHIC (3-15-06).
3. Staff development and retention. At BHC, Somanath listed cross-training staff to improve teamwork and employee retention as high priorities (3-23-06); Haines also mentioned cross-training and team-building at Elderhomes (3-10-06).
4. Building and improving internal systems. Gaines wanted to institutionalize the knowledge capture process, improving documentation at HPCDC (3-1-06). Somanath listed implementing and enforcing construction quality controls to produce on-time and on-budget as a priority at BHC (3-23-06).
5. Refining the mission regarding scope and activities. During their initial interviews, Garvin was working on what products Habitat would be producing in years to come (4-28-06), and Gaines was engaged in discussions about whether HPCDC would remain a neighborhood-based organization (3-1-06).
6. Outreach activities. For example, Habitat was reaching out to identify new potential clients (Garvin, 4-28-06) and Elderhomes was prioritizing branding and public relations efforts: "We want Elderhomes to become a household name... we want you to recognize who we are and what we do" (Haines, 3-10-06).

These priorities seem to be changing all the time. For example, Woody later reported progress on board development (10-2-06). Gaines later said HPCDC had formulated new expansion plans (10-17-06), and Garvin said an internal task force had identified a range of appropriate products in different jurisdictions (9-29-06).

Entities that work with CDCs had their own priorities for helping CDCs be effective in their work, which fell into four categories:

1. Technical assistance and succession planning. For example, LISC plans to invest in organizational systems and infrastructure development at CDCs, and promote idea and information exchanges through trips and colleague exchanges (Harris, 3-2-06).
2. Funding, financing & sustainability strategies. For example, Ubarry hopes to help groups develop long-term sustainability strategies (4-13-06). Shelton wants to help develop a housing trust fund, and provide financing for community developers after sharpening their skills through technical assistance (4-27-06).



3. Land banking strategies. Helping CDCs do land banking so they have enough property for a development pipeline over the next five years is one of Ubarry's priorities (4-13-06).
4. Forming partnerships to meet local government goals. Sacks said the City would like to fund groups that can help the City meet its development goals (4-11-06).

### **Contemporary Challenges for Community Development**

Because their work is interdisciplinary, community development practitioners are influenced by the changing winds of political will, demographic change and market conditions. These currents converge to help or hinder community developers, and in order to survive, CDCs and the institutions working with them must find ways to adapt to their new climate. An important element of this study was identifying the most significant barriers that CDCs face today.

#### Availability and cost of land and properties

In Richmond, the availability and cost of land and properties is a major issue. This was mentioned frequently as a major barrier by CDCs, including BHC, HPCDC, IHC, OHHIC and RMHH, and was cited by four out of five "outside experts" as such (Harris, 3-2-06; Sacks, 4-11-06; Grizel, 4-13-06; and Shelton, 4-27-06). Because of their slim operating margins and low capitalization, high real estate prices make it difficult for CDCs to acquire property for their work. The cost of land has a major impact on affordability of the housing that CDCs produce. This specific problem was brought up by BHC (Somanath, 9-22-06), VSH (Alice Tousignant, 2-28-06), IHC (Regina Watson, 5-12-06). Charles Finley of the Historic Jackson Ward association remarked that property values in that neighborhood have "gone through the roof" (6-2-06). Alice Tousignant of VSH said that "Prices for housing have grown so expensive, it's very hard to make

affordable housing work. People are investing in housing” (2-28-06). Even when land can be procured, the cost of construction is increasing as well. Somanath (3-23-06) noted that local fees have made construction more expensive for BHC. Garvin (4-28-06) said that infrastructure costs are a barrier because jurisdictions limit their funding for infrastructure work.

In some areas, land is simply not available; it’s been “built out” due to the amount of development that has already been done. This was noted for example by Bo Middleton regarding Blackwell (9-26-06) and by Marcia Woody regarding Southern Barton Heights (10-2-06). This issue extends beyond neighborhood boundaries; Regina Watson of IHC said “It’s harder to find land. People are trying to buy all our properties... Even the for-profits are moving in and eating up anything they can grab” (5-12-06). Kathy Garvin of Habitat explained that finding property in the City and Henrico County has become increasingly difficult (4-28-06, 9-29-06). Some CDCs feel that the private market has become active in their home neighborhoods, such as Highland Park (Gaines, 10-17-06) and Oregon Hill (Antonick, 10-4-06). Jim Antonick’s concerns provide a good summary: “Private developers have discovered the neighborhood, and it’s becoming harder and harder for us to find properties at a low enough cost where we can either restore old homes or build new construction that would be affordable to low- and moderate-income families” (10-4-06).

The availability and cost of land and properties impacts both neighborhood-based and regional groups, and there are some other consequences. Rising property values can make it difficult to keep original residents in their homes (Gaines, 3-1-06), a phenomenon

generally referred to as “gentrification.” Furthermore, the resumption of private market activity in a neighborhood can also make it difficult to maintain charitable funding for CDCs (Gaines, 3-1-06; Antonick, 10-4-06). As noted by Gaines, if people believe that the private market is in play, there’s no reason to continue to invest in revitalization.

A number of CDCs acknowledged this barrier as a reason for expanding their geographic focus. Habitat was encouraged to expand by the lack of land (Kathy Garvin, 9-29-06). OHHIC is expanding because of the cost of land in Oregon Hill (Antonick, 10-4-06). SCDHC and NHS expanded because of the perception that their home neighborhoods were developmentally mature or built out (Middleton, 9-26-06 and Woody, 10-2-06). Also, HPCDC and NHS felt they needed a larger service area to sustain the organizations’ activities (Gaines, 10-17-06 and Woody, 10-2-06) implying that there is not enough development work left in their home neighborhoods<sup>14</sup>. Many interviewees also acknowledged the cost and availability of land and properties as a reason for developing partnerships with outside organizations or entities<sup>15</sup>.

As of the time this paper was being written, there were some indications of a slowdown in the real estate market (see for ex. Pethokoukis, 2006). It was too early to determine the effect of this change on CDCs. However, it’s interesting to note that this slowdown was only mentioned in interviews by traditionally neighborhood-based groups, such as HPCDC (Gaines, 10-17-06), HJWA (Finley, 9-28-06) and OHHIC (Antonick, 10-4-06), suggesting that their work is impacted more by changes in the real estate market.

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<sup>14</sup> See “Expansion of Geographic Scope” below for more details on this adaptation.

<sup>15</sup> See “Partnerships and Collaborations” below for further discussion.

### Obtaining Adequate Funding

Obtaining funding for CDCs continues to be a challenge. All interviewees involved in housing brought this up, and it appeared frequently in the list of major barriers. It was actually mentioned more often as a contemporary barrier than it was for the organizations' earliest days. CDCs noted several reasons for funding challenges. First, there is a perception that grant funding for community development is drying up. This was noted by CDC interviewees Woody (5-3-06), Antonick (10-4-06), Watson (5-12-06), Haines (3-10-06), as well as Bill Shelton of DHCD (4-27-06). Second, the availability of CDBG funds – a mainstay in CDC budgets – is declining. Program cuts at the national level (see for ex. Journal of Housing and Community Development, 2006) are being passed down to local governments, which are then forced to shrink CDBG grants to nonprofits. The diminution of CDBG funding was brought up by Haines (3-10-06), Tousignant (2-28-06), Woody (5-3-06), Gaines (3-1-06), Townsend (3-15-06) and Antonick (10-4-06). However, interviewees seemed to associate the reduction in CDBG grants more with a shift in priorities in City Hall, as opposed to federal cuts. Gaines (3-1-06), for example, suggested that the city administration might have other uses in mind for CDBG funds. One CDC, NHS, opted to stop taking CDBG funds because of the “headache” associated with the City’s oversight and the low amount of subsidy available per house (Woody, 5-3-06). “Many organizations have to prepare – CDBG funding is going to be cut anyway; take it now, or take it later,” Woody said (ibid.). Cuts in CDBG funding can have dramatic consequences. The city cut Neighborhoods in Bloom-related CDBG funding to HJWA, who was involved in housing rehab work. When the NiB

support ended, there wasn't another funding source to take its place (Shelton, 4-27-06). The organization lost its staff soon after, and then decided to get out of community development work (Finley, 6-2-06).

Traditional funding sources for CDCs in Richmond have become more restrictive or performance-based in their award of funding. About four years ago, the City of Richmond started awarding funding for CDCs in a new way that is more restrictive. The City now uses a fee-based system emphasizing production, rather than providing operating support, according to senior planner David Sacks (4-11-06). "I didn't like the fact that [CDCs] could get money and not produce," Sacks explained (*ibid.*). Some CDCs that have lost funding perceive a relationship between market activity and the reduction of CDBG funds. "We kind of forced ourselves out [of the NiB program]," Finley said. "The City told us that the NiB program was designed to spur private investment within cities. And because we did the work, things moved along – mission accomplished" (6-2-06). Interviewees from OHHIC both noted the change. "After the next two years, I don't know if OHHIC will continue to get [CDBG and HOME funds] because maybe the market has taken over... why keep subsidizing a neighborhood that's heading in the right direction?" (Townsend, 3-15-06). Townsend's successor said OHHIC had experienced cutbacks in city funding, but said they were probably hurt by submitting funding applications listing a certain goal for closing on a certain number of properties, then not meeting their goal (Antonick, 10-4-06).

The local intermediary, LISC, has reduced its grant funding for CDCs because it could not raise enough money to support ten groups at once (Harris, 3-2-06) and is no

longer providing broad-based resources to support CDC operations (Shelton, 4-27-06). Again, the change has not gone unnoticed by CDCs. The former director of OHHIC, for example, noted the change. “It seems like, since 9/11, LISC has had a harder time raising money. The money we’ve gotten from LISC has been reduced a lot... I was surprised to find that LISC was dealing with fewer groups; it seemed like there was less money to give out” (Townsend, 3-15-06). Furthermore, the Department of Housing and Community Development has also made its own funding more performance-based (Shelton, 4-27-06). With costs going up and funding becoming harder to access, CDCs are experiencing a squeeze from both sides (i.e. expenses and revenues). This problem has been a few years in the making. The diminishing availability of funding was noted in the 2002 CapMap report (Richmond LISC, 2002) and has been acknowledged in national sources (see for ex. Burns, 2003).

Some Richmond CDCs have formed for-profit subsidiaries to upstream income. These subsidiaries serve actual functions such as real estate sales or weatherization services, and are not just tax credit shell organizations such as LLCs and LPs. Interview data indicated that only one organization, Elderhomes, was getting income from this type of subsidiary in the early 90s (Haines, 3-10-06) but four groups said they are now. A fifth group is planning to implement a subsidiary, and a sixth group has a for-profit subsidiary but it is not yet generating significant income. This is probably a slightly earlier development; according to a 1999 report, subsidiaries were already in place or planned at five groups<sup>16</sup> (Richmond LISC, 1999). Appropriate growth and management of for-profit

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<sup>16</sup> The report only made specific mention of Elderhomes’ subsidiary.

subsidiaries was listed as a development priority by Ubarry, the organizational consultant (4-13-06).

### Increased Competition

Another challenge that CDCs are facing, related to both of the above issues, is that competition has increased for CDCs. CDCs are competing with for-profit developers and even other CDCs for funding, land and deals, as in the private marketplace. This barrier was brought up by CDC interviewees (Garvin, 4-28-06; Watson, 5-12-06; Woody, 5-3-06; Middleton, 9-26-06) and outside experts alike (Ubarry, 4-13-06; Shelton, 4-27-06). “There are more funding sources, more stringent guidelines, more competition for tax credits,” Ubarry said. “There are more projects than there are resources. [We’re] not just competing with CDCs – we’re competing with a growing number of for-profit corporate entities” that are more sophisticated and have more access to resources, including political connections (4-13-06).

### Other Barriers

Tousignant (2-28-06) and Somanath (3-23-06) both said that dealing with NIMBY, or “Not In My Back Yard,” was a major barrier in their work. This phenomenon is related to people’s fears that the addition of affordable housing in their neighborhoods will produce deleterious effects on other housing in the neighborhood, such as diminished property values and increased crime. Residents must be convinced that the CDC will be a good manager of the property, and that the project will be good for the neighborhood (Tousignant, 2-28-06). A number of interviewees said that staff retention was an ongoing challenge (Somanath, 3-23-06; Townsend, 3-15-06; and Garvin, 4-28-06). Once staff

members are trained in real estate development, private sector employers recruit them with better salaries (Somanath, 3-23-06 and Garvin, 4-28-06).

### **New Opportunities**

Of course, not all contemporary changes in the community development environment are threatening. Some provide benefits to CDCs, facilitating their work or mitigating past difficulties. One such change is that affordable housing has become a topic of more public interest. The *Richmond Times-Dispatch* held a well-attended public forum on the issue in September and ran a number of relevant articles in September and October (See for ex. Bonny and Hazard, 2006, and Jones, 2006). There is a corresponding proposal for zoning code changes and an Affordable Housing Fund due to be evaluated by the Mayor after the November elections (Ress, 2006). The problem is that housing costs have jumped in recent years while wages have remained flat (Hazard, 2005). In 2003, the rent and utilities of a typical two-bedroom apartment had increased by more than a third since 1999, making the housing unaffordable for workers making minimum wage (Richmond Times-Dispatch, 2003). Recently, articles reported that the growth in housing prices has continued to outstrip income growth, and many homeowners are putting more than 50 percent of their incomes into housing costs (Bonny, 2006). Also, 45 percent of renters in the Richmond MSA are unable to afford fair-market rent for a 2-bedroom apartment (Chamberlain, 2006). While the housing crisis is not a good thing, CDCs can benefit from more public discussion about solving the problem. This was noted in interviews by Garvin (9-29-06) and Harris (3-2-06). Also, advocacy groups are working to establish a housing trust fund in Virginia (Harris,



3-2-06; Haines, 9-29-06; Shelton, 4-27-06), and their efforts may benefit from the current political momentum behind the issue.

Another change that can work in CDCs' favor is that getting private bank financing for CDC development projects seems to have gotten easier since CDCs were established in Richmond. Banks and VHDA are better able to invest in community development today despite the risk, according to Bill Shelton (4-27-06). Also, while the Community Reinvestment Act may have lost some of its "teeth," banks have "had a mindset shift" and are better able to recognize the opportunities to make money in traditionally underserved markets where CDCs work (Harris, 3-2-06). CDCs have gained more experience in getting financing. Ubarry noted that CDCs have become more sophisticated in selecting financing, even negotiating with banks to get better terms, and shopping around with alternative funding sources such as LISC and Enterprise (4-13-06). CDC directors were asked how hard it is to obtain traditional bank financing for their projects, using a five-point scale with 1 being not difficult, and 5 being very difficult. The average score went down from a 3.0 when they were first established, to a 1.8 today<sup>17</sup>.

While the high cost of land is a major barrier for CDCs, other market changes may present new opportunities for CDCs. For one, demographics are changing, and new housing types are needed. For example, Elderhomes is considering developing condos because as the Baby Boomers retire, they are looking for new options as they move out of their homes (Haines, 9-29-06). "They're a different breed," she said. Also, the average household size in the City of Richmond declined from 2.25 persons per household in

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<sup>17</sup> Responses to this question did vary widely among groups, and some directors did not have the historic information.

1990 to 2.20 persons per household in 2005 (U.S. Bureau of the Census, 2006 and 2006 a). Smaller households might create a demand for smaller types of housing, such as condos or apartments as opposed to single-family detached units. CDCs can add to this inventory to fill this new need. Another change is renewed demand for housing in the city. Some CDCs are able to generate income from selling market-rate properties, even in neighborhoods that were formerly undervalued, such as Oregon Hill (Antonick, 10-4-06), Highland Park (Gaines, 10-17-06), and Barton Heights (Woody, 10-2-06). Ten or twenty years ago, that probably would not have been possible.

For this study, CDC interviewees were asked, “What do you see as the most promising opportunities for your organization in community development today?” Respondents’ answers fit into three main categories: Partnerships with outside groups; expanding product offerings, especially development products; and expanding the geographic scope of the organization. Each opportunity is described in more detail below.

Partnerships and strategic alliances with outside groups in general present a promising opportunity, according to Haines (9-29-06) and Tousignant (9-20-06). Other interviewees highlighted specific partners. Somanath (9-22-06) and Garvin (4-28-06, 9-29-06) both said partnerships with private developers were promising, especially in the context of creating mixed-income development. Garvin (4-28-06) also felt that developing partnerships with local governments in expansion areas could facilitate land acquisition. Another potential partner would be corporations, which can help provide resources for projects (Finley, 6-2-06 and Ubarry, 4-13-06). Woody (5-3-06) saw partnerships with public housing authorities as a good opportunity, especially related to

voucher-based homeownership programs. Finally, Watson (5-12-06) felt that a partnership with other nonprofit organizations could help her organization reduce costs and increase efficiency.

Many interviewees explained that expanding their product offerings was a major opportunity. Interviewees mentioned three different means of expansion. The first method was increasing the scale of development projects, as described by Somanath (9-22-06) and Haines (9-29-06). Increasing the scale of projects increases both impact and visibility (ibid.). The second method was by adding new types of development products. For example, OHHIC, Elderhomes and Habitat are all considering adding condominiums (Antonick, 10-4-06; Haines, 3-10-06 and Garvin, 4-28-06). OHHIC might also add rental products to its traditional single-family homeownership offerings (Antonick, 10-4-06), and Antonick views increased participation in tax credit rehabilitation as a significant opportunity (ibid.). In Highland Park, Gaines (10-17-06) sees opportunity for HPCDC in redevelopment of a neighborhood commercial corridor. Tousignant (9-20-06) sees promise in the addition of permanent, supportive housing to its portfolio of single room occupancy (SRO) and group home developments. The third method for expanding product offerings is through the expansion of non-development services, such as the lending programs at NHS noted by Woody (5-3-06).

The third common opportunity is expanding the geographic scope of the organization. For IHC, Watson (5-12-06) sees promise in moving into areas that are currently underserved by other nonprofit developers, such as Charles City and Powhatan

counties. Kathy Garvin of Habitat echoed this sentiment regarding Charles City and New Kent counties, where land is more readily available for development (4-28-06).

There was one more opportunity given by a Richmond respondent. Bo Middleton of SCDHC said there is opportunity in single- and multi-family housing development, “contrary to popular opinion” (9-26-06). This is not an expansion of product offerings because the organization has been involved in this work for some time. “You’re going to find you’re gonna have a large group of folks that’s going to be coming back having need for market-rate apartments, because they’ve lost their homes,” Middleton said (ibid.). This was probably a reference to the restructuring of Richmond public housing, something that was also mentioned by Greta Harris (3-2-06) as a major issue on the horizon for community developers.

### **Evolution and Adaptations**

Given these challenges, changes and opportunities in 2006, how are CDCs responding to their contemporary environment? This study identified three significant adaptations that mirrored the opportunities given by CDCs above: partnerships and collaborations, expansion of geographic scope, and expansion of product offerings. Results also suggested several other changes that would benefit from further investigation: the formation of endowments and cash reserves, increased collection of fee income, the addition of new product lines such as construction and property management, and serving populations with broader or higher income levels.

### Partnerships and Collaborations

CDCs in Richmond are working in partnerships and collaborations with each other, other nonprofits, public housing authorities, and for-profit entities to do their work. New relationships are being formed on an ongoing basis, and many interviewees feel that partnerships are more important today than they were in past years. This theme was brought up frequently by CDCs and also by “outside experts” in their responses to many different questions.

Partnerships are not an entirely new strategy. Almost all interviewees could identify partnerships from the earliest years of their formation. Common partners listed were the City and the State, national organizations such as LISC and the Neighborhood Reinvestment Corporation, advocacy groups, and funders. Elderhomes and IHC mentioned nonprofit partners (Haines, 3-10-06; Watson, 5-12-06) and Elderhomes began a partnership with a for-profit developer in 1995 (Haines, 3-10-06). Habitat was working with churches, which had a part in founding the local affiliate (Garvin, 4-28-06). The Jefferson Mews project completed in 1997 was done in collaboration between the New Visions Civic League, an outgrowth of the Richmond Better Housing Coalition, RRHA and the city (Churn, 1997), and BHC had been part of several other collaborations in Newtown South and the Church Hill area (Hodder and Silvers, n.d.). However, five interviewees suggested that in those early days, there wasn’t a whole lot of interaction among groups in the industry and they were mostly focused on their home territories (Middleton, 3-7-06; Townsend, 3-15-06; Woody, 5-3-06; Watson, 5-12-06; and Finley, 6-2-06).

Collaboration among CDCs seems to have increased since the implementation of the Neighborhoods in Bloom program in 1999 (Watson, 5-12-06). That year, for example, eight CDCs together submitted a successful application for NIB in Church Hill Central (Richmond LISC, 1999). Today, CDCs and intermediaries report a wider variety of significant partnerships. Organizational consultant Grizel Ubarry said that CDCs are now gravitating to look at partnerships, with local housing authorities, corporations, private developers and construction companies, for example (4-13-06). Partnerships between CDCs and for-profits are an emerging trend, especially for their work on new mixed-income and mixed-use projects (Shelton, 4-27-06). CDCs have an opportunity to help local governments pursue goals of neighborhood revitalization and mixed-income communities (ibid.). City planner David Sacks (4-11-06) also noted that partnering with neighborhood groups to meet City development goals has been a priority for his department. Greta Harris (3-2-06) noted that RRHA has become a partner in community development... especially since half of their funding got reallocated to CDCs, and then they joined RCDA in 2001 or so. Even LISC, the intermediary, is reaching to new partners, such as high-producing nonprofits and housing authorities all over the state. Housing authorities in many cases have an inventory of properties to redevelop (ibid.).

CDCs were asked to explain why they were forming partnerships and what benefits these relationships conferred. CDCs are creating partnerships for a number of reasons. The most frequently cited reason for creating partnerships, cited by seven out of ten interviewees, was matching available land and/or buildings with the resources (money or skills) needed for development. This is necessary to address the challenge of land

availability and cost. It also leverages each partner's skills and unique access to funding. In some cases, a CDC will partner with the Richmond Redevelopment and Housing Authority to get land or buildings (Gaines, 10-17-06; Tousignant, 9-20-06; Somanath, 9-22-06). In other cases, the CDC provides their inventory to the RRHA to have it developed (Watson, 5-12-06). Instead of working with RRHA, one CDC that has land or property will get another CDC involved for their development expertise (Haines, 9-29-06; Finley, 9-28-06; Somanath, 9-22-06). Jim Antonick of OHHIC described a scenario for developing a new partnership with another nonprofit in the neighborhood, the William Byrd Community House. William Byrd owns an underused piece of property in the neighborhood that they would like to redevelop. In this case, OHHIC could work with William Byrd to develop affordable housing on the property. William Byrd would maintain ownership of the land and control over the type of development, and OHHIC would not need to make a major cash outlay to purchase the property up-front (Antonick, 10-4-06).

Another common reason cited for developing partnerships is getting subsidies or accessing new funding sources (Tousignant, 9-20-06; Finley, 9-28-06; and Woody, 9-28-06). This is necessary to address the challenge of reduced funding availability. For example, Virginia Supportive Housing, by administering the Stable Housing Access program with local shelter providers, was able to access a new income stream from the United Way while providing their expertise in supportive housing (Tousignant, 9-20-06). Many interviewees also noted that, in the face of limited resources, partnerships can help improve cost effectiveness and efficiency. Interfaith Housing Corporation is seeking to

partner with another nonprofit developer to share office space and perhaps some staff, in order to cut costs (Watson, 5-12-06). Partners can increase the impact of CDC programs, by providing additional funds. For example, Elderhomes works with Rebuilding Richmond Together, another nonprofit, to do rehabilitation and weatherization. “They identify houses that they will do work on, and then they give referrals to us of homes that need more extensive work... it’s a way of assisting many more households” (Haines, 9-29-06). Also, Elderhomes is beginning to work in partnership with organizations in Petersburg, a new service area for them. “If they can put some resources in, and we can put some resources in, you can get more done on a person’s home” (ibid.).

Partnerships between CDCs and jurisdictions can help local governments meet their development goals. This is a smart strategy today for groups that need access to land for development. For example, Charles City and New Kent counties have been facilitating Habitat’s work there by providing services such as identifying land, ironing out zoning issues, and developing lists of potential clients. This way, the counties address affordable housing needs, and Habitat can access new land for development (Garvin, 9-29-06). This phenomenon was also noted by Bill Shelton (4-27-06), Grizel Ubarry (4-13-06) and David Sacks (4-11-06).

Whether a local government is involved or not, partnerships help CDCs meet community needs in new ways. This is important today because while funding for affordable housing is harder to access, the affordable housing problem continues to grow, and social problems persist in many inner-city neighborhoods. Neighborhood Housing Services, for example, has partnerships with public housing agencies in several regions to



provide a demonstration program in which housing choice vouchers are used for homeownership. The housing authorities qualify individuals for the program, and NHS is able to provide mortgage lending services as part of a two-mortgage model (Woody, 10-2-06). By collaborating with other nonprofits, CDCs can add new services for their residents without duplicating services or reinventing the wheel. For example, SCDHC is entering a new partnership with a nonprofit mortgage provider, who will provide lending services to SCDHC's potential homeowners; in turn, SCDHC is able to provide a stream of qualified clients to the nonprofit (Middleton, 9-26-06). The Better Housing Coalition brought in a nonprofit provider of childcare services for its new Winchester Greens community. BHC is "trying to do a lot of these wraparound services without really duplicating those kind of services that are already available in the community and funded by other sources" (Somanath, 9-22-06).

Many CDC interviewees either have or want to have partnerships with private, for-profit developers. By working with for-profits developers, CDCs can participate in the development of mixed-income communities – the preferred method for affordable housing development in today's political and economic climate. In scenarios described by interviewees, the nonprofit uses its charitable and government subsidies to build the affordable housing, and the for-profit developer uses its resources and expertise to build the market-rate housing, resulting in a mixed-income community (Somanath, 9-22-06; Garvin, 9-29-06). Another way that CDCs can benefit from for-profit partners is by tapping into the bulk purchasing power of large-scale private developer partners to enhance quality and affordability. IHC was able to get reduced pricing on amenities such

as stainless steel appliances, high-quality carpeting, countertops, fixtures and other materials, allowing IHC to “enhance the quality for a very small cost” (Watson, 5-12-06).

Finally, CDCs are pursuing partnerships to increase exposure and market their organizations. This can help them address the challenge of funding availability by generating new business leads, or by facilitating fundraising efforts. For example, Elderhomes’ partnerships in Petersburg help provide brand exposure for them in this new market (Haines, 9-29-06). NHS is entering into a new partnership with the Fifth Third Bank of Ohio, wherein NHS will be a mortgage provider for the bank, and will gain access to a new market of potential loans (Woody, 10-2-06).

Interviewees were asked whether they think partnerships are less important, about the same, or more important compared with past years. Of the eight CDC directors that were asked this question, most (five) said that partnerships are more important today. Another person said that there is “more activity” in this area today (Garvin, 9-29-06), and the other two interviewees did not answer the question directly or were ambivalent. Although Watson and Antonick could not be reached to ask the question, they did mention partnerships as one of the most promising opportunities for their organizations in earlier interviews (Watson, 5-12-06; Antonick, 10-4-06). Interviewees said that partnerships are more important today because:

1. Partnerships provide access to additional resources and/or expertise, and partnerships are necessary to preserve affordability (Somanath, 9-22-06; Haines, e-mail dated 10-5-06; and Finley, 9-28-06). Somanath said, “You can’t just do these things, you know, all by yourself these days – especially with the cost of land, and lack of land, and the cost of housing... You really have to find various partners to ...make it affordable” (9-22-06). Tousignant also echoed the sentiment that community development can’t be done by any one group alone (9-20-06).

2. Community development funders want to see collaboration (Haines, e-mail dated 10-5-06; Tousignant, 9-20-06).
3. Partnerships increase impact (Finley, 9-28-06), make the best use of available resources (Tousignant, 9-20-06) and leverage additional resources: “If we partner with someone, we may be able to do more units, we may be able to spread the cost over two organizations as opposed to one, we may reach a different market” (Gaines, 10-17-06).
4. Working in partnerships is generally important, or it is the right thing to do (Middleton, 9-26-06; Garvin, 9-29-06).

The two interviewees that expressed ambivalence about whether partnerships are more important today both said it depends on the partner (Middleton, 9-26-06; Woody, 10-2-06).

#### Expansion of Geographic Scope

The second important adaptation among CDCs is geographic expansion. All interviewees currently involved in housing activities either have expanded from their original geographic service areas, or are currently embarking on new expansion plans. The organizations now embarking on new expansion plans are both traditionally neighborhood-based: HPCDC (Gaines, 10-17-06) and OHHIC (Antonick, 10-4-06). Many organizations are also considering further expansion, both regional and traditionally neighborhood-based groups. For example: NHS has looked into new development activities in the Washington DC area (Woody, 10-2-06); VSH is breaking into the Norfolk / Tidewater / South Hampton Roads area and the Petersburg area, and may go into other areas within two hours’ drive (Tousignant, 9-20-06); and IHC sees new opportunities in Charles City and Powhatan counties (Watson, 5-12-06). In fact, VSH and IHC listed their projects in new geographic areas as their top priority for development

work (Tousignant, 2-28-06; Watson, 5-12-06). Richmond LISC also expanded its service area. First, they went regional in 1998 in response to its CDC partners doing more work in Henrico and Chesterfield and the recognition that “the only way to make a healthy city is to take a regional approach to community development (Greta Harris, 3-2-06). In 2005, they expanded again to become Virginia LISC, and the organization will be reaching into new areas over the next decade (ibid.)

Expansion was noted as a current trend by several outside experts. Ubarry (4-13-06) said CDCs are being invited into new communities, and explained that many CDCs have expanded their service areas. Shelton (4-27-06) mentioned that Interfaith Housing Corporation was invited into the Hopewell area by the newly-created Cameron Foundation. The CDC interviewees cited a number of reasons for expanding their original service areas. Many groups, including VSH, IHC, SCDHC, Habitat, EHC and NHS, reported being invited in by other groups or by localities. This is a testament to their growth and achievement over the years – and also makes sense given the contemporary interest in the affordable housing crisis. Somanath (9-22-06) also explained that jobs are moving out into the suburbs, and BHC wanted to address regional housing needs by expanding out from the city. Other groups also expressed a desire to serve unmet housing and community development needs beyond their original neighborhoods, as cited by SCDHC (Middleton, 9-26-06) and Elderhomes (Haines, 9-29-06); or to provide affordable housing options and housing choice, as cited by OHHIC (Antonick, 10-4-06) and BHC, as above. This suggests that CDCs have been effective in meeting

the need or catalyzing additional development in their original areas, causing them to look elsewhere for further work.

Indeed, some interviewees said that they expanded their territories because the original neighborhoods are built out or developmentally mature (Middleton, 9-26-06; Woody, 10-2-06). Some CDCs need to have a constant stream of properties to redevelop to help them generate income. Maintaining a development pipeline was listed as a top priority for NHS (Woody, 5-3-06) and OHHIC's former director said they were also working on inventory development (3-15-06). Gaines (10-17-06) and Woody (10-2-06) both said they needed a larger market area to sustain their organizations. Other groups said they had to expand because of the cost of land and properties (Antonick, 10-4-06) or to find available land for development (Garvin, 9-29-06).

Overlapping service areas or territories may be a touchy issue associated with expansion. Jim Antonick of OHHIC mentioned that their reaching out into new neighborhoods might be perceived as getting onto someone else's turf (10-4-06). Regina Watson explained how in earlier years, each group had its own niche, which was fine; "Now, everybody's everywhere, if you can find a lot!" she said (5-12-06). Consultant Grizel Ubarry said that how groups can expand from a truly local, neighborhood-based organization to a regional organization hasn't been fully tested yet (4-13-06). The expansion of OHHIC and HPCDC will probably be watched closely by local community developers.

### Expansion of Product Offerings

Many CDCs have expanded their product offerings to add new types of housing, or new kinds of housing work, through the years. There are many examples of this phenomenon. Virginia Supportive Housing started out developing SROs and then added group homes and multifamily (Tousignant, 9-20-06); the Better Housing Coalition started with single-family and multifamily for low- to moderate-income households, and they are now doing large-scale mixed-income work (Somanath, 9-22-06). Elderhomes started off doing home repair, then added multifamily, and then single-family new construction (Haines, 9-29-06). Several groups are now producing market-rate homes for sale: OHHIC (Antonick, 10-4-06), HPCDC (Gaines, 10-17-06), NHS (Woody, 10-2-06) and Elderhomes (Haines, 9-29-06) are all involved in this activity.

Reasons for adding new types of housing products were varied. Market-rate housing development, for example, helps generate income for the nonprofits (Antonick, 10-4-06; Haines, 3-10-06). Mixed-income development is being undertaken to desegregate income levels in neighborhoods (Somanath, 9-22-06; Woody, 10-2-06; and Gaines, 10-17-06), so people living in poverty aren't all grouped together. NHS is pursuing market-rate and mixed-income development to support neighborhood economic development, since households with higher incomes can support local retailers (Marcia Woody, 10-2-06). CDCs have added new housing types to respond to unmet needs for certain housing types (Tousignant, 9-20-06; Somanath, 9-22-06; Middleton, 9-26-06) or to help local governments pursue their plans and wishes (Garvin, 9-29-06).

Although expansion of development activities has occurred in the past, many groups feel that further expansion is a major opportunity, as described earlier. Also, many CDCs are considering further expansion of their development activities to include new, diverse types of development products, such as:

1. Commercial and/or mixed use properties, as envisioned in Oregon Hill by Jim Antonick (10-4-06). It's also a possibility for VSH (Tousignant, e-mail dated 9-20-06).
2. Mixed-income housing developments, noted by Somanath (9-22-06), Garvin (9-29-06) and Woody (10-2-06);
3. Condos and/or townhomes, listed by Haines (9-29-06), Antonick (10-4-06), Garvin (9-29-06) and Woody (10-2-06);
4. Niche or special needs housing, such as senior housing, housing for people with disabilities, and university housing (Somanath, 9-22-06; Middleton, 9-26-06);
5. Multifamily rental properties, which would be a new addition for OHHIC and NHS (Antonick, 10-4-06; Woody, 10-2-06);
6. Historic rehabilitation, which would be a new product for Habitat (Garvin, 9-29-06); and
7. Green and sustainable housing, a possible new avenue for OHHIC (Antonick, 10-4-06).

Some CDCs named their expanded product offerings as their top priority for development work. For example, Middleton (3-7-06) cited SCDHC's work on housing for Historically Black Colleges & Universities as a top priority. Townsend named their new market-rate housing rehab program as a top priority (3-15-06). It was also a priority for Gaines in regards to HPCDC's commercial redevelopment plans, and she also mentioned a large-scale, mixed-income / mixed use development (3-1-06), which has been shelved for now (Gaines, 10-17-06). Garvin noted a new large-scale, mixed-income project as a top priority (Garvin, 4-28-06) but that project also fell through (Garvin, 9-29-06). Adding new types of development products is not without hazards for CDCs, and this type of work may require further enhancement of organizational capacity.

### Other Organizational Changes

Interview results showed evidence that CDCs were using several other strategies to manage contemporary challenges. CDC interviewees including Haines (3-10-06), Garvin (4-28-06), Townsend (3-15-06), and Woody (5-3-06) as well as outside experts Shelton (4-27-06) and Tatar (4-4-06) recognized the need for diverse, sustainable funding sources to help mitigate contemporary funding issues. “Diversification, diversification, diversification is the element you have to have to continue to be successful. Funding sources are drying up – you have to figure out how to continue in perpetuity” (Haines, 3-10-06). Woody said, “We have realized that if we get funding, fine. We’ve moved to three lines of business, we have to generate our own revenue. We’re not in a position to rely on outside funding” (5-3-06). To complement – or in some cases, replace – funds from philanthropic and other outside sources, more CDCs are capturing income from developer fees (Shelton, 4-27-06; Harris, 3-2-06). Interview results showed that a number of groups that formerly did not collect significant income from this source are now collecting fee income (BHC, NHS, HPCDC, and SCDHC). Several other groups (Elderhomes, VSH and IHC) were collecting fee income from an early date. However, a lot of groups are still unable to generate revenue solely tied to developer fees, making them too reliant on outside funding (Ubarry, 4-13-06). Elderhomes is working on developing an endowment to increase financial stability (Haines, 3-10-06), and Townsend was also hoping to build up cash reserves at OHHIC to get them through bumps in their cash flow (3-15-06).



Interview results in Richmond suggested that some CDCs have added new business lines, such as contracting and property management. At formation, only two were doing their own construction management; in Spring 2006, six reported they were doing it. At formation, none of the groups were doing their own property management; in Spring 2006, five groups were doing it and one more had plans to do so. More research is required to determine what advantages this confers and when the change took place.

Another change that merits additional investigation is whether CDCs are adjusting the income levels they serve. According to the interviewees, some groups have broadened or raised the income limits of their target populations, sometimes through the addition of mixed-income work or market-rate property development. For example, Highland Park CDC once primarily served households in the 30 percent to 50 percent of Area Median Income (AMI) range. Today, the group serves primarily those in the 80 to 120 percent of AMI range (Gaines, 3-1-06). The Better Housing coalition started out serving primarily households below 50 percent AMI. Today, households below 80 percent AMI are their main focus, but they also serve some at higher income levels (Somanath, 9-22-06). None of the CDC interviewees reported serving a lower income group. This change might just reflect changing income levels in CDC-served neighborhoods. Or, it might reflect how difficult it has become to serve people at very low incomes, as noted by Harris (3-2-06), Gaines (3-1-06) and Garvin (4-28-06). Furthermore, obtaining affordable housing has become a challenge even for moderate-income people. CDCs could be broadening their target income levels help to those households.

### **Lingering Questions, Unsolved Problems**

While CDCs are actively adjusting their operations to adapt to today's environment, some challenges will require additional creativity among community developers. One of the most commonly mentioned concerns among Richmond interviewees was how to secure leadership and control for the players in today's industry, along with the industry of the future. The change in City leadership – especially the recent election of Mayor Wilder and the transition to a new, strong mayor form of government, with concurrent changes in staff at City Hall – was cause for concern among CDCs and outside experts alike. As expressed by one interviewee: “Now, nobody knows what our relationship is anymore. The administration has scared everyone in City Hall. No one will make a decision; stuff is getting stuck, [we] don't know if the Mayor is on board or not, support of the RRHA changes on a dime. The few contacts left can't tell us what to expect. It's the most bizarre situation I've seen in my 20 years of doing this stuff.”

Within the CDCs themselves, succession planning and training the next generation of leaders was brought up frequently by interviewees (Middleton, 3-7-06; Haines, 3-10-06; Townsend, 3-15-06; Harris, 3-2-06; Tatar, 4-4-06; and Ubarry, 4-13-06). Staff turnover and retention was listed as a major barrier for three CDCs (Somanath, 3-23-06; Townsend, 3-15-06; and Garvin, 4-28-06). Having strong personnel is obviously essential for the industry's ongoing success. Staff issues including turnover and poor leadership was cited by multiple interviewees as contributing to CDC failure and major

problems in the past (Sacks, 4-11-06; Shelton, 4-27-06; Ubarry, 4-13-06; Watson, 5-12-06).

Another concern related to personnel has to do with the local trade organization, the RCDA. Interviewees described how the coalition has been strained recently, perhaps because of changes in funding availability and increased competition. Greta Harris (3-2-06) said that the group was being “held together with bubblegum and shoestring” and that the change in LISC funding was probably angering some groups. Dan Tatar echoed this sentiment, saying “The real question is, as [RCDA members] see their friends leaving, I think that will tear at the fabric. Their bonds are less business and more social and conceptual – it may create a different dynamic” (4-4-06).

That tension reflects a larger question of whether the region has more CDCs than it can support, which industry experts are evidently thinking about. There has been a national consolidation of the industry in the face of diminishing resources (Harris, 3-2-06). The large number of groups in Richmond may have contributed to recent organizational upheaval (Ubarry, 4-13-06; Shelton, 4-27-06). Dan Tatar said that the industry grew too fast, and that there was no adequate enforcement mechanism to weed out inefficient groups (4-4-06). Tatar said that this industry expansion, plateau and contraction represents a normal business cycle, and it allows the better groups to get stronger (*ibid.*). Bill Shelton also noted that the Richmond community development industry overexpanded, reaching an unsustainable number of groups. Now, the strongest groups are growing, while others are on life support (4-27-06). This cycle of growth and

then decline may be natural, but it creates a lot of heartache, Shelton said (4-27-06). “[We] don’t want to see anyone fail, but we may fail if we don’t” (ibid.).

CDCs also struggle to create change in communities where other outside forces and policies are working against them. School performance is recognized as an important factor in community development, but that is outside the scope of most CDCs, as noted by Harris (3-2-06) and Ubarry (4-13-06). School performance was noted as a barrier for HJWA’s work by Finley (6-2-06). During the interviews for this study, only one CDC, HPCDC, reported current involvement with a school (Gaines, 10-17-06). Also, since CDCs recognize the importance of deconcentrating poverty, local and federal policies such as the LIHTC program need to be adapted to fit mixed-income development. Although mixed-income communities are what the market and the political establishment wants, groups are “swimming against the current” of policy to complete these projects successfully (Shelton, 4-27-06). Local government zoning requirements and development fees can also limit the production of affordable housing in the region (Jones, 2006). Finally, NIMBY and the regional acceptance of affordable housing continue to cause concern. Advocacy groups like the Partnership for Workforce Homes and Housing Virginia advocate for public policies supporting the creation of affordable housing, and work to increase public acceptance of proposed developments, but more work is clearly necessary if the regional supply of affordable housing will ever grow to meet the need.

## V. Atlanta Results and Comparisons

### Key for Atlanta Interviewees

For the reader's convenience, a key for the Atlanta interviewees is included below in Table 5.

**Table 5: Key to Atlanta Interviewees, by Last Name of Interviewee.**

Name	Organization	Abbreviation	Type of Interviewee
Ali, Mustafa	Peoplestown Revitalization Corporation	PRC	CDC Director (consultant; joined Ellen Fleming)
Axam, Clara	Enterprise Atlanta	Enterprise	Intermediary
Fleming, Ellen	Peoplestown Revitalization Corporation	PRC	CDC Director
Garner, Joan	Historic District Redevelopment Corporation	HDDC	CDC Director
Hayley, Pete	University Community Development Corporation, Metropolitan Atlanta Community Development Corporation	UCDC MAC	CDC Director
Hughley, Young	Reynoldstown Revitalization Corporation	RRC	CDC Director
Jones, Bob	Bethursday Development Corporation	BDC	CDC Director
Lynch, Kevin	SouthStar Community Development Corporation	SouthStar	CDC Director
Martin, Larrie	Atlanta Habitat for Humanity	Habitat	CDC Director
O'Callaghan, John	Atlanta Neighborhood Development Partnership	ANDP	Intermediary
Sampson, Aaron	Community Housing Resource Center	CHRC	Intermediary / CDC Director
Tyler, Donna	Community Alliance of Metropolitan Parkway	CAMP	CDC Director
Walker, Ron	Atlanta Mutual Housing Association	AMHA	CDC Director
Ware, Janis	SUMMECH Community Development Corporation	SUMMECH	CDC Director

### **Long-Term Growth and Development**

Like their counterparts in Richmond, community developers in Atlanta have been successful in a number of areas. For example, Atlanta CDCs have provided neighborhoods with a voice, helping to preserve their unique identities and guide development that is consistent with the communities' wishes. (Axam, 10-30-06; O'Callaghan, 10-26-06). They have been a catalyst for redevelopment, paving the way for the private market to re-enter disinvested neighborhoods (Ali, 11-15-06; Axam, 10-30-06); they have also impacted public policy by promoting affordable housing initiatives (Axam, 10-30-06). Two of the Atlanta interviewees reported being invited into new areas (Jones, 10-26-06; Axam, 10-30-06), an indication of their progress and success. Like Richmond, Atlanta has a local coalition for nonprofit housing developers, AHAND, formed in 1988. There is also an active statewide coalition, G-STAND.

Interview results showed that, over the years, CDCs in Atlanta have generally expanded their staff and involvement in different community development activities since their formation. Staff growth is shown in Table 6 below. As in Richmond, several interviewees did report expansions and contractions in staff size over the years. For example, SouthStar CDC once had two staff members but is not currently staffed (Lynch, 10-11-06). The Historic District Development Corporation (HDDC) once had about 12 staff members but now has three (Garner, 10-23-06). The Peoplestown Revitalization Corporation (PRC) downsized earlier this year (Fleming, 11-15-06). The Atlanta Mutual Housing Association (AMHA) also reported having a contraction in the mid-nineties (Walker, 10-23-06).

**Table 6: Paid staff members (full and part-time) of Atlanta CDCs at formation and in 2006.**

	Formation	Spring 06
AHH	0	36
AMHA	4	16
BDC	0	5
CAMP	1	4
HDDC	0	3
RRC	1	10
SSCDC	0	0
SUMMECH	0	4
UCDC	2	3
<b>Average</b>	<b>0.9</b>	<b>9.0</b>

The number of activities that CDCs are involved in is shown in Table 7 below. Although not shown here, many CDCs also report indirect involvement in the provision of services by providing referrals to other agencies.

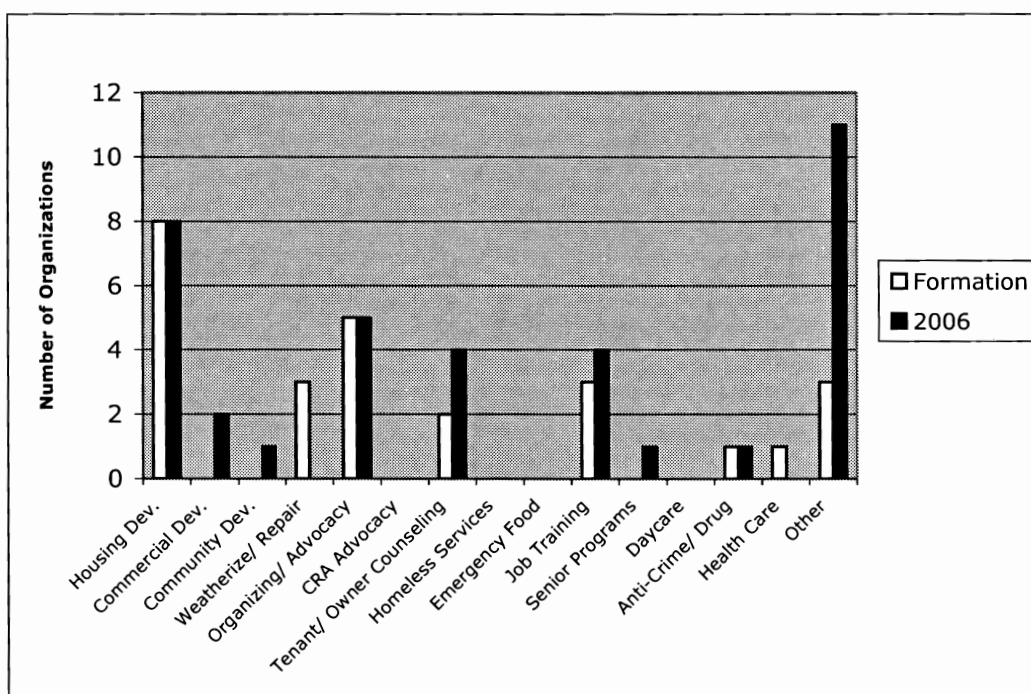
**Table 7: Number of community development activities that Atlanta CDCs report direct involvement in, at formation and in 2006.**

	Formation	Spring 2006
AHH	1	3
AMHA	3	6
BDC	2	3
CAMP	4	4
HDDC	1	3
RRC	5	8
SSCDC	4	1
SUMMECH	4	4
UCDC	2	5
<b>Average</b>	<b>2.9</b>	<b>4.1</b>

As in Richmond, Atlanta CDCs say they have a more comprehensive view of community development, recognizing the importance of pairing physical redevelopment with services and economic development. When asked to offer additional thoughts on how the industry has changed or evolved, four groups alluded to this: AMHA (Walker, 10-23-06), Bethursday Development Corp. (Jones, 10-26-06), University Community Development Corporation (UCDC), (Hayley, 10-20-06) and the Community Alliance of

Metropolitan Parkway (CAMP) (Tyler, 10-20-06). “There’s a much broader view of what can be done for low- and moderate-income people in this city,” one interviewee said of his organization. “...It’s not just a housing agenda, but it’s housing, and social and economic development programs” (Walker, 10-23-06). Interview results showed that CDCs have increased their involvement in non-housing activities, such as commercial or community development, job training, housing counseling and other activities (financial literacy education and business development, for example), as shown in Figure 2 below.

**Figure 2: Types of activities that Atlanta CDCs report direct involvement in, at formation and in 2006.**



A number of Atlanta organizations also seem to have broadened their mission statements to be more comprehensive. For example, UCDC used to have a mission of doing community outreach around the Clark Atlanta University, to “try to develop some affordable housing and do some other community building activities”; now it’s “to assist



with the redevelopment and revitalization of the communities on the west side of Atlanta” (Hayley, 10-20-06). The SUMMECH Community Development Corporation was started with a mission of changing the housing stock of a neighborhood that was in a state of disrepair. Today, the group’s mission is “to provide quality affordable housing, promote homeownership and encourage economic development in the Mechanicsville community for present and future residents” (Ware, e-mail dated 11-8-06). The Atlanta Neighborhood Development Partnership (ANDP) has added a greater focus on creating mixed-income communities, leading to stronger schools, attraction of retail services and other benefits (O’Callaghan, 10-26-06). Becoming more comprehensive seems to be an ongoing shift and an area of current interest among CDCs, discussed in further detail in “Expanding non-development products and services” below.

Atlanta CDCs continue to be very focused on community planning, organizing and advocacy work. Some, like Peoplestown, SouthStar CDC and UCDC, view it as a primary objective (Fleming, 11-15-06; Lynch, 10-11-06; Hayley, 10-20-06) while others like the Reynoldstown Revitalization Corporation (RRC) work closely with local neighborhood associations to stay involved (Hughley, 10-24-06). Clara Aham of Enterprise identified the CDCs’ convening and advocacy work as a noteworthy success: “The CDCs bring forth an incredible community voice. They really are community-based, and so they are able to articulate the community voice... In a lot of instances, because of our CDCs... we’ve been blessed to have neighborhoods that have their own distinct identities and individual character” (10-30-06). The Atlanta interviews did not reflect as much of a shift in focus to development as the Richmond interviews did.

CDCs in Atlanta, like their counterparts in Richmond, continue to work on improving organizational capacity. CDCs, like any nonprofit, must become more businesslike to stay in business (Martin, 11-3). One interviewee noted that CDCs in Atlanta are not businesslike enough (Sampson, 10-20-06). Peoplestown and RRC are both actively working on becoming more businesslike by implementing a new corporate structure (Fleming, 11-15-06; Hughley, 10-24-06). Organizational capacity was noted as a barrier by three CDC interviewees in reference to the earliest days of their groups' formation (Martin, 11-3-06; Hughley, 10-24-06; and Lynch, 10-11-06), and the issue was listed as a contemporary challenge by five CDC interviewees (Tyler, 10-20-06; Hughley, 10-24-06; Lynch, 10-11-06; Walker, 10-23-06; Garner, e-mail dated 11-7-06). Issues ranged from staff capacity to production capacity to board structure and capacity. Clara Axaam of Enterprise identified the capacity and sophistication of nonprofit developers as one of the major barriers that Enterprise faces in carrying out its mission; however, she said they are overcoming that barrier (Axaam, 10-30-06). Interviewees from ANDP, Enterprise Community Partners and the Community Housing Resource Center (CHRC) – groups that have served an intermediary role – all said that insufficient production of housing has been one of the ways in which Atlanta CDCs have fallen short. (O'Callaghan, 10-26-06; Axaam, 10-30-06; Sampson, 10-20-06). ANDP and CHRC also want to increase their own production (O'Callaghan, 10-26-06 and Sampson, 10-20-06). Some CDC interviewees also brought up the issue, noting that funders want to see increased production (Tyler, 10-20-06; Hayley, 10-20-06). This seems to be more of a concern in the Atlanta area than it has been among Richmond's community developers.

This difference might account for the slightly different ways in which the industry has evolved between the two cities.

In Atlanta, the outside experts' priorities for helping CDCs be effective in their work differ somewhat from those listed by Richmond respondents. There were four main categories of responses:

1. Continuing technical assistance and policy work, as reported by Axiom (10-30-06). Technical assistance was also listed by Richmond interviewees.
2. Convening and encouraging collaborations (Axiom, 10-30-06 and O'Callaghan, 10-26-06). This was a more important area of focus in Atlanta, though Richmonders wanted to encourage relationships with local governments.
3. Encourage more involvement in affordable housing from for-profit developers, whether in partnership with nonprofits or on their own (O'Callaghan, 10-26-06). This response was unique to Atlanta, though it has been an area of interest among CDCs in Richmond.
4. Being a leader to create change within the industry, improving efficiency, reducing territoriality and/or increasing industry consolidation (Sampson, 10-20-06). This was the response from CHRC, a group that is transitioning from being an intermediary-like organization to being more like a CDC.

Rather than attacking barriers separately, there appears to be a view that collaboration and for-profit involvement can serve as a broader strategy to improve CDC success.

### **Contemporary Challenges for Community Development**

There were a number of similarities in the barriers faced by community developers in Atlanta and Richmond. Atlanta interviewees also said they faced challenges related to land cost and availability, and obtaining adequate financial resources. Like some Richmond groups, Atlanta interviewees noted that organizational capacity continues to be a barrier to fulfilling their mission. But Atlanta interviewees also highlighted several unique challenges such as community buy-in, the permitting process

in Atlanta, and concerns about meeting the growing level of need for affordable housing in the region. Each barrier is discussed in more detail below.

#### Cost and Availability of Land

As in the Richmond area, the cost and availability of land is a major contemporary issue for Atlanta community developers. This was mentioned frequently as a major barrier by CDCs (including Atlanta Habitat for Humanity, Bethursday Development Corporation, RRC, UCDC and CHRC), and also by ANDP, a major intermediary. The high price of land impacts community developers' ability to produce housing with affordable prices, as noted by ANDP (O'Callaghan, 10-26-06), AMHA (Walker, 10-23-06), SUMMECH (Ware, e-mail dated 11-8-06) and Bethursday Development Corporation (Jones, 10-26-06). This is an issue impacting both regional and neighborhood-based groups.

Another problem associated with the rising cost of land and property is that rising property values make it challenging to keep original residents in their neighborhoods (O'Callaghan, 10-26-06). Gentrification concerns in Atlanta have been documented in NeighborWorks America's report "Managing Neighborhood Change: Best Practices for Communities Undergoing Gentrification" (2005) and were also brought up by Garner (10-23-06) and Fleming (11-15-06).

In some neighborhoods, land is simply not available because it has been built out. Pete Hayley of UCDC said that in his service area, there is a scarcity of open land on which to build larger projects (10-20-06). The PRC is running out of properties to develop in Peopletown (Fleming, 11-15-06). One CDC, RRC, specifically

acknowledged the cost of land in its home neighborhood as a reason for expanding its geographic scope (Hughley, 10-24-06). In the case of the Historic District Development Corporation (HDDC), the CDC expanded its scope after work in its original geographic area had been accomplished (Garner, 10-23-06). This phenomenon is discussed in more detail in “Expansion of Geographic Scope” below. Also, two interviewees (Hayley, 10-20-06 and Walker, 10-23-06) listed the cost and availability of land as a reason why partnerships with outside organizations and entities are more important today. See “Partnerships and Collaborations in Atlanta” below for more discussion on this topic.

Interviewees in Atlanta did not bring up the recent real estate slowdown as some Richmond interviewees did. This might be related to housing market differences between the two cities. Or, Atlanta groups might not think it is significant enough to cause concern. This issue requires further investigation to determine whether a difference really exists and why it might be the case. However, it is probably too soon to draw any conclusions since it seems to be a recent change in the market.

#### Obtaining Adequate Financial Resources

As in Richmond, accessing adequate financial resources is a major barrier for Atlanta community developers. This appeared frequently in the list of major barriers for the earliest days of the organizations, as well as today. Obtaining financial resources generally (Garner, e-mail dated 11-7-06), getting operating dollars (Tyler, 10-20-06, Hayley, 10-20-06, Ware, e-mail dated 11-8-06) and capital funds (Sampson, 10-20-06; Tyler, 10-20-06) all present challenges. Capital funds are especially needed to acquire property and participate as a partner in development deals (Sampson, 10-23-06; Tyler,

10-20-06). Enterprise would also like more funding for the land acquisition fund it is developing (Axiom, 10-30-06). Economic self-sufficiency was specifically listed as a concern (Hayley, 10-20-06 and Axiom, 10-30-06).

Interviewees in Atlanta provided several reasons for funding challenges, some of which parallel reasons given by Richmond interviewees. Two groups, CAMP and UCDC, said that grant funding has been dwindling (Tyler, 10-20-06; Hayley, 10-20-06). Pete Hayley of UCDC explained the current phenomenon: "...Funders are moving away from affordable housing, and they're moving away from small CDCs as well. I mean, what they're looking at is... being willing to fund projects that are over a much larger scale, that can create more housing quicker... and then a lot of philanthropic organizations are moving to community-building activities as opposed to bricks and sticks. It's a lot harder today, actually, to get funding for bricks and sticks projects than it was some years ago" (10-20-06). This matches the Richmond interviewees' perception of declining grant funds.

Also, community development and affordable housing funding in Atlanta is generally more performance-based today. According to John O'Callaghan at ANDP, "The standard from the subsidy sources and I think from funders is you need to show unit production" (10-26-06). Like Richmond's LISC office, ANDP has stopped providing direct grants to CDCs. While the last grants were awarded last year, the transition has been five or six years in the making (*ibid.*). ANDP stopped providing both direct grants after investors in ANDP and the CDCs "were concerned that enough units were not ...being produced," and some CDCs had failed to develop adequate organizational

capacity despite receiving technical assistance (ibid.). “So we determined that the best way to fulfill the mission would be to partner in more of a business relationship, as opposed to, ‘Here, we’ll give you dollars and technical advice and assistance,’ but to partner together – and to... make sure that direct development was done” (ibid.). Although Enterprise still provides grants for CDCs (Axam, 10-30-06), one interviewee said that “Enterprise made it very clear, from what I understand, that they were not going to be funding individual CDCs for construction” any more (Garner, 10-23-06). So, with the cost of land, materials (Sampson, 10-20-06) and construction (O’Callaghan, 10-26-06) going up, and charitable dollars becoming harder to access, CDCs have been experiencing a squeeze from both sides (i.e. expenses and revenues).

The decline of CDBG and HOME funds was noted more frequently by interviewees in Richmond, though one interviewee said the availability of CDBG funds in Atlanta is declining (Tyler, 10-20-06). The difference might be because new public policies are in place in Atlanta that will be funneling CDBG dollars toward workforce housing, as noted by Walker (10-23-06) and Hayley (10-20-06). Still, any reduction in public funds can mean the loss of staff and activities at CDCs that rely on them. When SouthStar CDC lost federal funding for its home repair program, they had to stop doing the work. They are not currently staffed (Lynch, 10-11-06).

The creation of for-profit subsidiaries<sup>18</sup> to upstream income is less common in Atlanta than Richmond. Only one organization, RRC, had this type of subsidiary in the early 90s, and it died out quickly (Hughley, 10-24-06). The only group that currently has

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<sup>18</sup> Excepting tax credit shell organizations, such as LLCs and LPs.

a for-profit subsidiary of this type is Atlanta Habitat, which operates the ReStore retail outlet for home improvement items (Martin, 11-3-06). However, some groups are considering this strategy for the future: the RRC is currently considering whether to form a for-profit subsidiary (Hughley, 10-24-06), and PRC would consider this option as a means of becoming more self-sufficient (Fleming, 11-15-06).

### Other Barriers in Atlanta

Interviewees highlighted several other barriers in Atlanta<sup>19</sup>. Some Atlanta interviewees felt that community buy-in is a barrier. Community buy-in could be described as a combination of public interest in the efforts of community developers, along with the concomitant dedication of moral and financial support. Getting community buy-in was an issue when CDCs were first formed, as noted by RRC (Hughley, 10-24-06) and UCDC (Hayley, 10-20-06), and made it difficult for CDCs in those days to find partners and to generate the vision and leadership needed to transform the community (Garner, 10-23-06). Even getting buy-in from residents of CDC housing created some problems, because of educational, racial, and class differences (Walker, 10-23-06). As explained by Axam, “Atlanta did not believe in inner-city neighborhood revitalization. You know, and I’m not sure that that doesn’t continue to be some barrier” (10-30-06). SouthStar has had difficulty getting buy-in from public officials (Lynch, 10-11-06), and Bob Jones (10-26-06) reported that outsiders have a negative perception of Bethursday’s home turf, causing difficulties such as redlining by banks.

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<sup>19</sup> These barriers weren’t mentioned as frequently as land costs and financial resources.



As noted in “Long-Term Growth and Development” above, organizational capacity continues to be a barrier for CDCs. Axiom (10-30-06) suggested that part of the reason for this challenge is that the groups all have different situations and strategies, making it difficult to leverage one another’s strengths. Two interviewees noted that Atlanta’s permitting process is a major barrier (Hayley, 10-20-06 and Sampson, 10-23-06), because it takes too long, causing problems for thinly-capitalized groups that need to turn properties around quickly to reinvest the proceeds in new projects. One interviewee said that dealing with brownfields presents a challenge (Ali, 11-15-06). Finally, interviewees identified being able to serve the level of community need as a major challenge. Peoplestown is trying to find ways to serve needs for employment, youth activities and retail establishments (Fleming, 11-15-06). The affordable housing gap between what’s available and what’s needed is already 10,000 units and is growing, Axiom said (10-30-06), and so community developers need to figure out how to produce affordable housing faster. Also, regional growth means that housing needs are developing in new areas; ANDP is trying to develop a strategy for working in geographic areas where there aren’t any active CDCs (O’Callaghan, 10-26-06).

### **New Opportunities and Changes**

The Atlanta community development industry is seeing some new opportunities and changes that will enhance their ability to pursue their mission, or influence their strategies for doing so. As in Richmond, affordable housing has become a topic of political and public interest in Atlanta, as evinced by the institution of policy reforms that may offer major opportunities for developers of affordable housing. One major factor is

that Atlanta's mayor, Shirley Franklin, has identified housing as a key priority for her second term (O'Callaghan, 10-26-06; Saporta, 2006). Local leadership has embarked on the development of the BeltLine, a major public works project and subsidiary of the Atlanta Development Authority. The BeltLine will focus urban development around a new transportation service, and will guide affordable housing development and create many new public amenities such as parks (Axam, 10-30-06; BeltLine, 2006; and Pendered, 2006). Atlanta has instituted a series of Tax Allocation Districts (TADs) that make funds available for housing development via the issuance of bonds, including a BeltLine TAD approved last year (see for ex. Sigo, 2005). The BeltLine TAD will make approximately \$240 million available for building workforce housing units (BeltLine, 2006a). Furthermore, new inclusionary zoning ordinances are being considered in the area (O'Callaghan, 10-26-06; Axam, 10-30-06), such as Fulton County's recent approval of the "Genesis Housing Initiative," which provides development subsidies for affordable housing beyond the usual density bonuses and fee waivers (Fulton County, 2006).

As noted in the Richmond results, financing development projects may have gotten easier since CDCs were established. Interview results suggest that CDCs find it easier now to get bank financing than they did when they were first getting established: the average score for how difficult it is to obtain bank financing went down from a 3.5 when they were first established, to a 2.8 today<sup>20</sup>. The director of RRC said that "The private market in terms of banks is just a lot better. ...They now see us as viable entities who got good financials, and so we can go to the table and get loans" (Hughley, 10-24-

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<sup>20</sup> Responses varied widely among interviewees, and some directors did not have the historic information.

06). However, both Hughley (ibid.) and Walker (10-23-06) did acknowledge a persistent difference in how banks treat nonprofits versus their for-profit developer colleagues. Walker described having to write a three-page paper for a bank on how to structure a bridge loan for them. “The banks have trouble trying to figure out what this nonprofit thing is” (ibid.). Access to bank financing probably requires more investigation to develop a more firm conclusion.

Other market changes are influencing CDCs in Atlanta. As in Richmond, household composition is changing, creating demand for different types of housing products. The average household size in the city of Atlanta dropped from 2.40 persons per household in 1990 to 2.27 in 2005. (U.S. Bureau of the Census, 2006 and 2006 a). Smaller households might create a demand for smaller types of housing, such as condos or apartments as opposed to single-family detached units. Also, some CDCs are able to generate income from selling market-rate properties, such as RRC (Hughley, 10-24-06) and HDDC (Garner, 10-23-06), even in neighborhoods that were formerly undervalued.

Another major change in the Atlanta community development industry is recent tactical changes among their intermediary organizations. The restriction of funding and technical assistance was described above in “Obtaining Adequate Financial Resources.” Enterprise and ANDP are putting more focus on their role as conveners of partnerships (O’Callaghan, 10-26-06, Axaam 10-30-06), rather than on their former role as organizations that provide direct support to CDCs. Although it still provides a couple of programs that benefit CDCs, CHRC has shifted from being an intermediary-type organization, providing support to other organizations in the industry, to becoming a

“CDC with a city-wide focus” (Sampson, 10-20-06). AHAND currently serves as an advocate for CDCs. A diminution in funding for advocacy activities and the availability of a large CDBG grant for home repair work encouraged CHRC to shift their role (ibid.).

When the Atlanta interviewees were asked, “What do you see as the most promising opportunities for your organization in community development today?” their responses fit into the categories shown below. Many responses were similar to those expressed in Richmond, and some were unique to Atlanta.

Atlanta respondents felt that expanding or adding new services or organizing activities presented a promising opportunity. Though one organization in Richmond mentioned this (NHS, regarding lending services), it was a much more common response in Atlanta. For example, UCDC wants to expand its programs for economic development, health education and safety education (Hayley, 10-20-06). Peoplestown will expand its workforce readiness and economic development initiatives (Fleming, 11-15-06). At RRC, growing the homeownership center represents a promising opportunity (Hughley, 11-13-06). AMHA saw promise in adding new services for its growing Hispanic population, such as social services, language education and acculturation (Walker, 10-23-06). Larrie Martin said Atlanta Habitat should take advantage of its green building experience to educate other nonprofits on green affordable housing development (11-3-06). Several groups were interested in focusing more on planning and outreach activities. For example, SouthStar would continue taking part in planning activities, conveying community plans and needs to developers, so that the ensuing development would be accepted by the community (Lynch, 10-11-06). HDDC wanted to bring stakeholders

together to develop a plan for the revitalization of commercial corridor (Garner, 10-23-06).

A number of respondents highlighted the potential of expanding or adding new types of development work. This was also a common response in Richmond. CDCs thought there was opportunity in adding commercial and/or mixed-use development (Tyler, 10-20-06; Garner, 10-23-06; Fleming, 11-15-06), and getting “more creative” with housing types (Martin, 11-3-06). Groups wanted to expand their home repair (Sampson, 10-20-06) and multifamily development (Walker, 10-23-06) programs. Meeting the need for workforce housing in city neighborhoods (Ware, e-mail dated 11-8-06) was also listed as an opportunity, related to the City’s current priorities.

The new public policies in Atlanta provide many opportunities for community developers. This response was unique to Atlanta because Richmond has not instituted the same policies. Respondents mentioned the Beltline (Tyler, 10-20-06; O’Callaghan, 10-26-06; and Axam, 10-30-06); Tax Allocation District subsidies (O’Callaghan, 10-26-06; and Axam, 10-30-06); and helping the City meet its workforce housing goals (Walker, 10-23-06). Also, ANDP wanted to pursue establishing new policies to encourage mixed-income communities (O’Callaghan, 10-26-06). When it comes to recognizing new opportunities, public policies are cited most frequently by intermediaries. Both ANDP and Enterprise are probably involved in policy work to a greater extent than most CDCs are.

In Atlanta, some interviewees identified partnerships with outside groups, as an opportunity, especially with private developers (Jones, 10-26-06; Lynch, 10-11-06;

Hayley, 10-20-06), and with other nonprofits, by expanding the MAC (Hayley, 10-20) or working with nonprofit partners in new geographic areas (Hughley, 11-13-06). Richmond interviewees also felt that partnerships represent a promising opportunity.

Finally, one group mentioned expanding the geographic scope of the organization, which Bob Jones of the Bethursday Development Corp. saw as the most promising opportunity (10-26-06). In summary, Atlanta respondents were more focused on services and public policies, but their responses were otherwise similar to Richmond.

### **Evolution and Adaptations**

Among community developers in Atlanta, a number of adaptations are being employed to adjust to contemporary challenges and opportunities. The most important strategy in Atlanta today is the development of partnerships and collaborations. Several other notable strategies include the expansion of geographic scope, addition of new development products, and the addition or expansion of non-development products and services. The interview results also pointed to a few other adaptations that merit further investigation: local development of a land acquisition fund, an increase in the collection of fee income, and serving populations with a broader or higher income level. This section concludes with a few additional comparisons between the Richmond and Atlanta interviewees.

#### **Partnerships and Collaborations in Atlanta**

CDCs in Atlanta said they are working in partnerships and collaborations with each other, other nonprofits, local government, universities, for-profit developers, and their founding organizations. New relationships are being formed on an ongoing basis. As

in Richmond, this theme was mentioned frequently in interviews among Atlanta community developers. Intermediary interviewees recognized the development of partnerships as a noteworthy evolution in response to contemporary challenges (Axam, 10-30-06; O'Callaghan, 10-26-06; and Sampson, 10-20-06).

When CDCs in Atlanta were formed, they typically worked with their founding organizations, local government, and funders and intermediaries<sup>21</sup>. Since then, they have added partnerships with nonprofit social service providers, universities, for-profit builders and other CDCs.

The most significant development in this area seems to be the creation of the Metropolitan Atlanta CDC, or the MAC. Six CDCs came together to create this new entity in January 2006. The MAC currently serves as a production arm for the six participating CDCs, and each CDC has a seat on the MAC's Board of Directors (Tyler, 10-20-06). Pete Hayley, director of UCDC, is the interim executive director until the MAC begins an executive search around January 2007 (Hayley, 10-20-06). The MAC is being funded by Enterprise, which is contributing 100 percent of its operating expenses for the first year, and 50 percent for the second year. After that, the MAC is intended to be self-sufficient (Hayley, 10-20-06). Enterprise spearheaded the effort, which is intended to grow and produce further collaboration, as described by Clara Axam:

Enterprise was really kind of pressing CDCs to say, resources are scarcer and scarcer; you all have got to figure out how to leverage your resources with the best strengths of CDCs, and see if you can't build collaboratives around it. So they finally came together and that's done. Now, we don't intend to stop with the housing collaborative. We hope to create, for

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<sup>21</sup> SUMMECH reported having worked with another development organization in earlier days (Ware, e-mail dated 11-8-06).

example, a homeownership center. Why not have one that all of the CDCs feed out of satellite offices - but why manage it six times? Manage it one time, use the CDC that has a) the most interest, and b) the most experience, you know, and sometimes finding that intersection can be tricky, but if you can do that, then you really can leverage resources among the CDCs and they can have greater impact, because they're not confined to their small neighborhood geographic areas, and they share or exchange learning and expertise and the whole nine yards (10-30-06).

Pete Hayley described how the MAC grew out of the realization that philanthropic funding was diminishing, and also that all of the CDCs were doing housing, but at a small scale - only one to three houses a year.

We felt like if we could centralize the housing component... and take that worry off the backs of the CDCs, they could do a couple things: one, they could broaden their community outreach missions in all of these neighborhoods, 'cause they don't have to focus so much on the housing piece now, and secondly, we could do housing in volume. So by coming together, instead of my organization doing three or four houses a year, by putting it together with five other CDCs, we're now doing thirty or forty or fifty houses a year across six neighborhoods. So we've been able to just increase what everybody's doing, you know, tremendously (10-20-06).

So far, the MAC has completed four units, there are 10 units under construction, and thirty more are in permitting. By the end of the year, the MAC hopes to have 75 units in some form of development - "And that'll be way more than any of us have done in probably five years" (Hayley, 10-20-06). Hayley echoed Axa's sentiment regarding looking at ways to expand the MAC's functions to add, in addition to its housing production work, other services such as a homeownership center or health and safety education (*ibid.*). The CDCs have also come together to identify participants for Peopletown's workforce development program (Axa, 10-30-06; Fleming, 11-15-06).

Such a dramatic change does not come without some challenges. Hayley described the primary barrier for MAC as continuing to find properties for development



in the front end, and having the CDCs market and sell the properties on the back end. So far, only a couple of properties have gone through the whole process, so it's too early to tell how easy it will be for the CDCs to get bank financing for their work (ibid.). One participant reflected on some bumps in the road and discussions about the MAC's future:

I think the good part of it is, people are still at the table. ... We've had some incidents now where we've looked at [the MAC and said], "Gee, I can't believe that happened," or, you know, "Why is that being done that way," because we all bring sort of different work habits and systems to the process... We're beginning now to, I think, bring our individual experiences, our real questions, in terms of, what are we doing here? You know, is this a merger? Or what type of coalition is it? And should it be a 501-c-3, or should it just be a collaboration, and should maybe one CDC become the specialist in... production, rather than this entity that we've created here, while another CDC becomes the specialist in terms of the homeownership counseling and the financial literacy piece, and this other CDC perhaps takes on the job skills development piece, and another takes on preservation? ...That's what I mean in terms of the evolution and the healthy discussion now, in terms of, how do we want to grow our industry? (Hughley, 10-24-06.)

This innovative development will undoubtedly be watched closely by community developers around the country.

Reasons for current collaborations with outside entities vary depending on whom the CDC is working with. In regards to the MAC, participating CDCs cited two main reasons for getting involved. First, using a common entity for production produces better economy of scale and helps to pool resources and manpower (Tyler, 10-20-06; Hayley, 10-20-06; Ware, 11-8-06). Second, being involved in the MAC was encouraged by funders, especially Enterprise (Garner, 10-23-06; Hughley, 10-24-06; Tyler, 10-20-06). CDCs recognized that Enterprise might not provide them with continued funding for development activities unless they opted to participate in the MAC. Another important

partner for accessing funding is the City of Atlanta. Bethursday Development Corporation works with the City to gain access to TAD funds (Jones, 10-26-06).

A number of Atlanta groups are working with for-profit developers, for several reasons. First, and probably most importantly, working with for-profits provides access to greater skills, experience, and improved financial capacity (Jones, 10-26-06; Hughley, 10-24-06; Fleming, 11-15-06). Business partners can provide influence and funding (Fleming, 11-15-06). Second, by working with for-profits, CDCs are able to participate in the development of mixed-income communities – a stated objective for the City administration (Martin, 11-3-06). Much like what was described by Richmond interviewees, the nonprofit develops the affordable housing by accessing government subsidies and charitable dollars, while the for-profit develops the market-rate housing.

Two Atlanta groups are working in partnership with nonprofit service providers, who are able to provide new services to clients without the CDC having to duplicate services or reinventing the wheel (Walker, 10-23-06). Also, RRC is facilitating its geographic expansion using partnerships with nonprofit service providers, who are already established in those new areas (Hughley, 10-24-06). Peoplestown has relationships with local universities and governmental agencies, which can help provide technical expertise (Ali, 11-15-06).

But despite these existing partnerships, interviewees from Enterprise and CHRC felt that there is still not enough collaboration in the industry (Sampson, 10-20-06; Axam, 10-30-06). Perhaps the CDCs are picking up on that, because all but one CDC director (9 out of 10) said they anticipate pursuing additional partnerships. For example, CAMP

hopes to pursue new collaborations with other CDCs as a result of participating in the MAC. This would allow CAMP to better achieve its mission in the face of dwindling funding (Tyler, 10-20-06). Several groups want to pursue new partnerships with nonprofit organizations to access more services. Atlanta Habitat is seeking out a group that can provide financial education for its residents (Martin, 11-3-06). AMHA is in conversation with the Latin American Association to provide services to their new, predominantly Hispanic population (Walker, 10-23-06), and RRC is continuing to look for opportunities to partner with nonprofit service providers in expansion areas (Hughley, 10-24-06).

Several CDC directors said they want to pursue new partnerships with for-profit developers, and one interviewee identified this as an emerging trend among her colleagues (Garner, 10-23-06). UCDC and HDDC are both considering partnering with a for-profit developer to access more resources and improve the scale and scope of their activities (Hayley, 10-20-06; Garner, 10-23-06). The Bethursday Development Corporation plans to bring in a for-profit retail developer and a hotel management company as partners for its new hotel/condominium project (Jones, 10-26-06). The for-profits would provide their expertise and add their name to the project (ibid.). Peoplestown hopes to attract new business partners, to access their influence and leverage available financial resources (Fleming, 11-15-06).

Only SouthStar said they were not planning to add any new partnerships (Lynch, 10-11-06). Their organization is not currently staffed and is not involved in development activities. As Janis Ware of SUMMECH wrote, "Collaborations are where the industry is

headed and to keep up with the industry, we must change” (11-8-06). As in Richmond, CDCs were asked whether they felt partnerships are less important, about the same, or more important today than they have been in past years. Of the nine who were asked this question, five of the CDC directors from Atlanta said that compared with past years, partnerships with outside groups are more important today. Four said they were about the same. Interviewees said partnerships are important today because:

1. Partnerships are necessary to preserve housing affordability (Walker, 10-23-06; Hayley, 10-20-06) because of the cost of land and properties to redevelop.
2. CDCs are evolving from developers of housing to more comprehensive service providers. “Once the housing [runs] out, there has to be something else” (Fleming, 11-15-06).
3. Funding is dwindling (Tyler, 10-20-06) and it takes more time to find subsidies and generate income in the current market (Walker, 10-23-06). Partnerships allow for better leveraging of resources (Hughley, 10-24-06).
4. Partnerships increase impact, helping CDCs meet community needs better (Hughley, 10-24-06).
5. Funders want to see collaboration (Martin, 11-3-06; Fleming, 11-15-06).

These reasons are similar to those cited by Richmond interviewees. Like Middleton and Woody said in Richmond, one of the Atlanta respondents said that finding the right partner is important, and that some of their partners have been good and some haven’t (Garner, 10-23-06).

### Expansion of Geographic Scope

In Atlanta, half of the interviewees have expanded from their original geographic scope. They cited a number of reasons for expanding their original service areas. Some groups had a desire to pursue their mission and serve unmet housing / community

development needs in other areas (Walker, 10-23-06; Hughley, 10-24-06; O'Callaghan, 10-26-06; Axam, 10-30-06). This was a common reason in the Richmond group as well. For HDDC, the original service area had been revitalized (Garner, 10-23-06). This is similar to how several CDCs in Richmond reported their original neighborhoods being built out or developmentally mature. RRC is expanding because of the availability and cost of land in the original service area (Hughley, 10-24-06). This was also a common reason in Richmond. Expanding can help organizations generate more income and improve self-sufficiency, which AMHA is pursuing by adding to their inventory of multifamily buildings (Walker, 10-23-06). This is similar to how two groups in Richmond reported a need for a larger market area to sustain the organization. Finally, UCDC expanded because the neighborhoods around the original service area were having an impact (Hayley, 10-20-06). One group, SouthStar CDC, has actually reduced its original service area to avoid duplicating services with another nearby group (Lynch, 10-11-06). The other groups have kept their original geographic service area.

The phenomenon of expansion in response to contemporary challenges was recognized by intermediary interviewees. In response to the barriers they are facing, CDCs are developing "an understanding of the limitations that a geographic definition creates" (Axam, 10-30-06). O'Callaghan also said that "some existing CDCs are looking at their mission and the opportunities to serve, and are looking beyond the confines of sort of the original neighborhoods that they were organized to serve" (10-26-06). Aaron Sampson of CHRC (10-20-06) suggested that small, defined geographic service areas

might hinder organizational productivity and stability, which could be influencing CDCs' decisions about expansion.

Many interviewees said they anticipate further expansion of their geographic service areas. ANDP and Enterprise both anticipate further expansion to pursue their missions and fill unmet needs (O'Callaghan, 10-26-06; Axaam, 10-30-06). RRC is currently doing work in three counties and is continuing its expansion into a five-county area (Hughley, 10-24-06). AMHA is planning to buy more buildings to reach a milestone of 1,000 units (Walker, 10-23-06) and Bethursday Development Corporation is considering expansion to foster organizational growth, address unmet needs and generate fee income (Jones, 10-26-06). UCDC would like to expand to spread revitalization to a more contiguous area. They are also experiencing problems with land availability in their current service area (Hayley, 10-20-06). Atlanta Habitat would like to expand its area, but is waiting for a relaxation of geographic restrictions imposed by the national office (Martin, e-mail dated 11-6-06). Although it will not be a focus for the organization, CHRC is willing to consider strategic opportunities to do work in new areas to meet needs or generate income (Sampson, 11-6-06). Fleming (11-15-06) also said she would be willing to consider expansion outside Peoplestown to access new opportunities – with the Board's approval.

Mission statements of the organizations interviewed also show evidence of geographic expansion. For example, UCDC was originally formed to do community outreach and affordable housing around the Atlanta University Center; now, the focus is on the entire west side of Atlanta (Hayley, 10-20-06). HDDC's original mission was a

single block that was home to the Martin Luther King, Jr. birth home. Once that block had been revitalized, the organization expanded to include the entire historic district (Garner, 10-23-06). The ANDP has expanded its focus from primarily underserved, inner core neighborhoods to all communities across the Metro region (John O'Callaghan, 10-26-06). The RRC's mission statement is currently being redefined because the organization is expanding past its original boundaries (Hughley, 10-24-06).

As in Richmond, overlapping service areas or territories in Atlanta may be a touchy issue associated with expansion. Sampson (10-20-06) noted that some groups are still too territorial (10-23-06) and that they get angry with him when CHRC tries to buy land in their geographic service areas (10-20-06). O'Callaghan mentioned that there have been times when groups "have looked at one another as competitors" as boundaries have been changing (10-26-06).

#### Expansion of Development Product Offerings

Seven out of the ten CDCs interviewed have expanded their original product offerings to add new types of housing, or new kinds of housing work. Most said they are planning to add new types of development projects, such as:

- Mixed-use and/or commercial development, such as Bethursday's hotel/condo project (Jones, 10-26-06); HDDC's work on commercial revitalization (Garner, 10-23-06); CAMP's and PRC's future mixed-use plans (Tyler, 10-20-06; Fleming, 11-15-06); and RRC's plans to develop transit-oriented housing with office space (Hughley, 10-24-06).
- Townhomes, in the works at Atlanta Habitat (Martin, 11-3-06);
- Multifamily development, which UCDC hopes to be involved in (Hayley, 10-20-06);
- and Single-family housing development, planned by AMHA (Walker, 10-23-06).

One interviewee explained that some groups hemmed in by diminishing land availability have shifted their focus to commercial development, especially along commercial corridors (Tyler, 10-20-06). Interviews for this study did identify several groups that have a neighborhood-based history that are now interested in commercial development: HDDC works in the Martin Luther King Historic District, and hopes to become more involved in commercial revitalization along the Auburn Avenue corridor (Garner, 10-23-06). The Bethursday Development Corporation has a metro-wide service area, but they especially “act to enhance the English Avenue community.” They are now putting “more development focus” on the Northside Drive corridor, a commercial area (Jones, 10-26-06). The PRC, traditionally based in Peoplestown, hopes to get into mixed-income development to further economic development efforts and attract more retail establishments such as grocery stores (Fleming, 11-15-06).

Reasons cited for adding new products varied, but some common themes emerged. The most common theme was increasing density and making better use of available land (five examples provided by Martin, 11-3-06; Hughley, 10-24-06 and Hayley, 10-20-06). Generating income was another common reason, such as the addition of market-rate sales by RRC (Hughley, 10-24-06) and HDDC (Garner, 10-23-06), or CAMP’s tax credit deal (Tyler, 10-20-06). This reason was also implied by Ali (11-15-06) at Peoplestown, which has added market-rate home sales. These reasons tie back into the major barriers of land availability and cost, and accessing adequate financial resources. Some groups added new products to meet community needs and/or fulfill community desires (Hughley, 10-24-06; Jones, 10-26-06 and Tyler, 10-20-06).



Revitalizing areas, reducing vacancy and attracting additional development were also common reasons (four examples provided by Hayley, 10-20-06; Garner, 10-23-06; Tyler, 10-20-06; and Jones, 10-26-06). Finally, groups want to add new products to encourage homeownership – either by constructing single-family homes, as mentioned by UCDC and AMHA (Hayley, 10-20-06; Walker, 10-23-06) – or by building new multifamily housing to develop the local pool of potential homeowners (Hayley, 10-20-06).

#### Expanding Non-development Products and Services

In Atlanta, there seems to be an increasing interest in non-development services and activities. As outlined above in “New Opportunities and Changes,” many groups view this type of expansion or refocusing as a promising opportunity, and a number of groups have broadened their mission statements to be more comprehensive. This change might be related to changes in funder preferences, which Pete Hayley (10-20-06) described above<sup>22</sup>. CAMP, for example, plans to expand its service offerings via collaborations (Tyler, e-mail dated 11-6-06). This corresponds with the national trend toward comprehensive community development that gathered momentum around 2000.

One interviewee suggested that some CDCs with smaller geographic areas have shifted their priorities from development to providing more social and support services, because they are running out of land to develop (Tyler, 10-20-06). Pete Hayley of UCDC, an organization with a small service area, described their organization’s progression from housing rehab to new construction to expanding the community outreach and community building activities (10-20-06). Fleming said that housing development is not the best

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<sup>22</sup> Refer to “Obtaining Adequate Financial Resources.”

opportunity for Peoplestown anymore, and instead it plans to pursue its workforce development activities (Fleming, 11-15-06). Bob Jones of Bethursday Development Corporation reported that the organization is becoming more aggressive in venturing into new activities such as economic development, charter schools and lending activities (10-26-06). Tyler summarized the need for resources to expand into these new arenas: “There’s a lot of different types of development going on in the city right now, and for the CDCs to be able to deal with that evolution – in other words, going from just developing housing to some of the other things... the business development and the workforce development, some of those things ... that is kind of an evolution, if you will, for our organization and some of the others as well” (10-20-06). Previous research in the Atlanta region also noted a trend in CDCs launching community building programs due to a renewed focus on grassroots and holistic approaches (NeighborWorks, 2005).

#### Other Organizational Changes

While the adaptations above seemed to be the most pervasive changes, interviews highlighted some other possible techniques that community developers are using to adjust to contemporary challenges. Like Richmond, more CDCs in Atlanta are capturing income from developer fees today than they were in earlier days. The number of groups that reported realizing income from developer fees increased from one to eight between their earliest years and 2006. The two groups that still do not collect fees are Habitat, which – like the Richmond office – generates a stream of income from mortgages receivable (Martin, 11-3-06), and SouthStar CDC, which is not currently involved in producing housing (Lynch, 10-11-06). However, Axam of Enterprise said she feels that CDCs

should be more self-sufficient and that they are still working on developing their strategies for doing so (10-30-06). Peoplestown is actively working on increasing economic self-sufficiency, for example, by increasing its income-producing products and services (Fleming, 11-15-06).

Three interviewees commented on the dysfunctional land bank in Atlanta (Hughley, 10-24-06; Sampson, 10-20-06; and Axaam, 10-30-06). The community development industry – Enterprise and some partners from AHAND – is working on developing a land acquisition fund to help address the problem of increasing land costs (Axaam, 10-30-06; Sampson, 10-20-06).

As described among Richmond interviewees, some Atlanta organizations seem to be serving a broader range of income levels. Five groups seem to have broadened or raised their target income levels since they were formed. For example, RRC was serving a low-income population, probably around 50-80 percent AMI, when it was formed. It now has a broader range of 40 percent of AMI and above (Hughley, 10-24-06). SouthStar CDC used to have “more of a focus on the low- to moderate [income], as opposed to the community at whole” (Lynch, 10-11-06). No Atlanta CDCs reported shifting to a lower income bracket. This observation may just reflect increasing incomes in the neighborhoods, so this requires further research to draw a firm conclusion.

## **VI. Discussion and Conclusions**

### **Comparisons between Richmond and Atlanta**

Atlanta results suggest that more emphasis is being placed on collaborations and partnerships, to the degree that some CDCs have outsourced their production activities and may eventually outsource some of their service activities such as homeownership counseling to other organizations. This might even lead to some mergers or reorganization among groups, as each one identifies the most promising avenues for creating impact and being self-sufficient. While most CDCs in Richmond are partnering with other groups, the Richmond industry has not deepened its relationships quite that much<sup>23</sup>. The probable causes for the difference between the cities are increased pressure from funders in the Atlanta market relating to production and organizational capacity, and the subsequent changes at intermediary organizations. While a few interviewees noted that certain groups in Richmond have not produced as much as hoped, it did not seem to be an industry-wide concern. Also, this may be influencing more CDCs in Atlanta to emphasize their community planning, organizing and service provision activities over real estate development.

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<sup>23</sup> One Richmond interviewee mentioned the possibility of a merger. Woody (5-3-06) said that NHS was considering a merger with the Richmond Economic Development Corporation, which specializes in small business development. However, they backed out and have remained separate organizations.

As in Richmond, school performance is recognized as a factor in community revitalization. Community developers are not reporting much involvement yet in education, but there are some examples of progress on this issue in Atlanta. Enterprise has been working on a project to catalyze community redevelopment specifically through targeting a neighborhood school via its Mechanicsville Community Learning Collaborative (MCLC) (Axam, 10-30-06). AMHA has after-school programs and a learning center (Walker, 10-23-06), and Bob Jones reported interest in having Bethursday Development Corporation get involved in the development of charter schools (10-26-06). This area will require continued attention in order to stabilize urban neighborhoods.

Although the community development industry in Atlanta has seen some leadership changes in recent years<sup>24</sup>, it did not seem to be a cause for concern, compared with Richmond's concerns about the issue. It could be that the major transition has already passed in Atlanta, with personnel starting to adjust to the new complement of players, and the major period of transition has yet to arrive in Richmond. The Richmond interviewees also had the recent shift in City Hall to contend with, and Atlanta interviewees have the benefit of a mayor with a stated priority on housing.

Based on its progressive affordable housing policies, Atlanta seems to have made more progress on the NIMBY issue than the Richmond area. This might be a result of the leadership and political will of Atlanta's mayor, supported by advocacy efforts of community developers. Further developments in regards to workforce housing initiatives, TAD subsidies, the BeltLine and inclusionary zoning ordinances stand to give Atlanta

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<sup>24</sup> O'Callaghan, Axam and Garner all started in 2006; three other interviewees had been directors at their organizations for less than three years.

nonprofit housing developers a real boost over the next few years – if they can continue to refine their methods for development and economic self-sufficiency. The next year or two will be critical in determining which CDCs will continue to thrive, and what the organizations will look like going into the future.

### **Relationship to Hypotheses and Summary**

#### **Richmond**

As described above, my hypotheses were that Richmond CDCs have expanded geographically, formed new partnerships with outside organizations, and/or expanded their housing product development efforts to include mixed-income, mixed-use or other new housing types. These strategies are being employed to respond to the decreasing availability of properties for redevelopment, increasing development costs, an uncertain funding environment, and demand for new housing types.

The results in Richmond were consistent with the hypotheses, with a few additions and clarifications. The cost and availability of land and properties is a major concern for CDCs. In regards to their funding environment, CDCs are most concerned obtaining operating funding. The funding situation is exacerbated by a redistribution of CDBG and HOME dollars by the city, and new restrictions on traditional funding sources such as LISC. However, obtaining bank financing may be getting easier. Increased competition in the industry, NIMBY and staff retention are also barriers for some CDCs. On the other hand, increased public interest in affordable housing and increased demand for new housing types both provide opportunities. In addition to partnerships, geographic expansion and development product expansion, some CDCs are adding new business

lines and possibly broadening their target income levels, both areas that merit additional research. CDCs are diversifying income streams through the use of fee income, for-profit subsidiaries and endowments or reserves.

### Atlanta

In Atlanta, I expected to find results similar to Richmond. I expected that CDCs are facing challenges including increasing development costs, decreasing availability of properties for redevelopment, an uncertain funding environment, and demand for new housing types. I hypothesized that Atlanta CDCs are responding by entering partnerships, expanding their geographic scope and expanding their housing product offerings.

Results in Atlanta were also consistent with the hypotheses, with several additional findings. Atlanta CDCs are also facing problems with high costs of land and its diminishing availability. They are concerned with obtaining both operating funding and capital dollars that allow them to enter into development partnerships. Funding is becoming more performance-based, and intermediaries are switching from direct supporters to partners, or even becoming competitors. Obtaining financing may be getting easier, but nonprofits are still treated differently than for-profits when seeking bank loans. Some other challenges include the city's permitting process, dealing with brownfields, getting community buy-in and developing adequate organizational capacity. The industry is searching for ways to meet growing needs in the community. Community developers recognize the unique opportunities in Atlanta's public policies that support affordable housing, such as the BeltLine and inclusionary zoning. In addition to forming collaborations such as the MAC, expanding geographically and adding new development

products, CDCs are also working to increase their non-development services to become more comprehensive. CDCs are collecting more fee income, and the industry is working on forming a land acquisition fund to address some of the financial challenges. They may also be broadening their income levels, a phenomenon that requires further investigation.

### **Implications and Conclusion**

The results of this study suggest that intermediaries and other supporters of CDCs should consider providing additional technical assistance in the areas of commercial, mixed-use, large-scale residential and condominium development, as many CDCs intend to add these products – but may not have expertise in those types of development. CDCs should familiarize themselves with successful projects by their peers and listen carefully for “lessons learned.” In Richmond, there might be a need for financing assistance for implementing large-scale projects. Two groups were unsuccessful in their efforts to embark on large-scale developments and one specifically mentioned financing as the problem (Garvin, 9-29-06). Community developers also need case studies and best practices relating to making a successful transition from neighborhood-based to regional operating models. Intermediaries and other institutional supporters of CDCs could sponsor research or learning exchanges to help gather more information on this subject.

Given the interest in partnerships and collaborations, the local trade associations should function as forums where potential partners can meet and exchange specific project ideas. The groups should invite private developers, housing authorities, social service providers and universities to participate, to develop relationships with them and discuss potential opportunities for partnerships. The intermediaries are already getting



involved in this capacity and they should continue to provide guidance in this area. Partnerships will be the optimal means for CDCs to expand their non-development product offerings.

Richmond community developers should watch the industry in Atlanta as a possible source for some new strategies and adaptations. The MAC collaboration – if it proves to be successful – may be an avenue to pursue for smaller CDCs in Richmond, if they have trouble marshalling the organizational resources for their development projects. This would start to address the question of whether there are too many groups to sustain in Richmond. However, one of the distinct features of many Atlanta CDCs – although some are planning geographic expansion – is their continued role as neighborhood organizers and advocates. As Richmond groups become more diffuse, serving many neighborhoods, each group needs to clearly establish its own added value. If neighborhood advocacy is not the desired strategy, CDCs might focus on their individual skill sets, such as historic preservation and rehabilitation. Every group in Richmond and Atlanta participating in a collaborative like MAC must maintain a steady focus on its *raison d'être*, especially when seeking external support.

Atlanta also provides some potential public policy models that Richmond community developers should consider advocating for. The Genesis Housing Initiative seems to be a good first step in implementing inclusionary zoning, still palatable to private developers because of its incentives (Fulton County, 2006). Although it is currently voluntary, the program will be reevaluated in two years, providing an opportunity for making it mandatory. An ordinance like theirs might be accepted in the

Richmond area because of the current public interest in affordable housing. A community development land fund, such as the one being developed by Enterprise in Atlanta, might also be a good way to address the cost and availability of land for CDCs in Richmond. However, that requires fundraising for the capital, a daunting task in today's highly competitive philanthropic environment. Atlanta's tax allocation districts and BeltLine are exciting tools for affordable housing development. A scaled-back model would be helpful in guiding redevelopment in Richmond's older neighborhoods, but such a proposal would require further research into potential revenue generated by increases in property tax revenues. The most important factor in implementing that type of large-scale planning initiative in the Richmond region is electing and/or cultivating political leadership that prioritizes housing and neighborhood development.

CDCs are well aware of the challenges of today's community development environment, and they are leveraging their strengths and entrepreneurial skills to develop solutions. Groups that can become financially self-sufficient will be most able to adapt quickly and take advantage of new opportunities. This decade will be characterized by the importance of collaboration, a strategy that can increase the impact that CDCs have in their neighborhoods, while making the best use of available resources. With sustained effort and dedication from all partners, perhaps community developers will be able to increase the extent of their success, paving the way for reinvestment in forgotten places and forgotten families.

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## **Appendix A**

### **List of Interviewees**

#### **Richmond Interviewees**

Mr. Jim Antonick  
Executive Director  
Oregon Hill Home Improvement Council (OHHIC)

Mr. Charles Finley  
President  
Historic Jackson Ward Association

Ms. Wallica Gaines  
Executive Director  
Highland Park Community Development Corporation (HPCDC)

Ms. Kathy Garvin  
Former Executive Director  
Richmond Metropolitan Habitat for Humanity

Ms. Lyn Haines  
Executive Director  
Elderhomes

Ms. Greta Harris  
Former Senior Program Officer  
Virginia Local Initiatives Support Corporation (LISC)

Mr. James (Bo) Middleton  
President / CEO  
Southside Community Development and Housing Corporation (SCDHC)

Mr. David Sacks  
Senior Planner  
City of Richmond Department of Community Development

Mr. William (Bill) Shelton  
 Director  
 Virginia Department of Housing and Community Development (DHCD)

Mr. TK Somanath  
 Executive Director  
 Better Housing Coalition

Mr. Daniel Tatar  
 Assistant Vice President and Community Affairs Officer  
 Federal Reserve Bank of Richmond

Mr. Allen Townsend  
 Former Executive Director  
 Oregon Hill Home Improvement Council (OHHIC)

Ms. Alice Tousignant  
 Executive Director  
 Virginia Supportive Housing

Ms. Grizel Ubarry  
 Consultant  
 Grizel Ubarry, Inc.

Ms. Regina Watson  
 Executive Director  
 Interfaith Housing Corporation (IHC)

Ms. Marcia Woody  
 Executive Director  
 Neighborhood Housing Services of Richmond (NHS)

#### **Atlanta Interviewees**

Ms. Clara Axam  
 Director  
 Enterprise Atlanta

Dr. Ellen Fleming  
 CEO / Executive Director  
 Joined by Mr. Mustafa Ali, Consultant for real estate & economic development projects  
 Peopletown Revitalization Corporation

Ms. Joan Garner  
President & CEO  
Historic District Development Corporation (HDDC)

Mr. Pete Hayley  
Executive Director  
University Community Development Corporation (UCDC)  
Interim Executive Director  
Metropolitan Atlanta CDC (MAC)

Mr. Young Hughley  
President & CEO  
Reynoldstown Revitalization Corporation (RRC)

Mr. Bob Jones  
Executive Director  
Bethursday Development Corporation

Mr. Kevin Lynch  
President  
SouthStar Community Development Corporation

Ms. Larrie Martin  
Executive Director  
Atlanta Habitat for Humanity

Mr. John O'Callaghan  
President & CEO  
Atlanta Neighborhood Development Partnership, Inc. (ANDP)

Mr. Aaron Sampson  
Executive Director  
Community Housing Resource Center (CHRC)

Ms. Donna Tyler  
Executive Director  
Community Alliance of Metropolitan Parkway (CAMP)

Mr. Ron Walker  
Executive Director  
Atlanta Mutual Housing Association (AMHA)

Ms. Janis L. Ware  
Executive Director  
SUMMECH Community Development Corporation

## **Appendix B**

### **Interview Questions**

Refer to the following pages for interview questions used for preliminary interviews with Richmond interviewees, follow-up interviews with Richmond interviewees, and interviews with Atlanta interviewees.



### Preliminary Interview Questions for Richmond CDC Executives

[First half is collecting information about the organization's history.]

1. When was your organization originally founded, and what was the primary purpose or mission at that time?
  - a. Who were the important players in getting the organization started?
  - b. Who was on the Board of Directors, in general terms?
  - c. How many staff members did you have initially?
  - d. How did the organization initially fund its day-to-day operations?
2. What were the first projects or programs that your organization pursued?
  - a. Which of the following activities was your organization involved in?
    - ☐ Developing housing (rehabilitation or new construction)
    - ☐ Developing commercial space (offices, retail, etc.)
    - ☐ Developing community facilities or open space
    - ☐ Community organizing, neighborhood planning and/or advocacy
    - ☐ CRA Advocacy
    - ☐ Tenant or homeowner counseling (housing-related)
    - ☐ Services for the homeless
    - ☐ Emergency food assistance
    - ☐ Job Training
    - ☐ Senior Citizen programs
    - ☐ Daycare
    - ☐ Anti-crime or anti-drug programs
    - ☐ Health care
    - ☐ Other (describe)
  - b. Which of the following development activities was your organization involved in?
    - ☐ New construction
    - ☐ Rehabilitation
    - ☐ Acquisition
    - ☐ Weatherization
  - c. Did your organization do any of the following in those early days?
    - ☐ Architecture
    - ☐ Construction
    - ☐ Property Management
    - ☐ Operate a for-profit subsidiary
3. What neighborhood or neighborhoods did your organization work in? What jurisdiction or jurisdictions?
4. What income groups did you serve during these early years?

5. Let's discuss your organization's relationship with the community and local government in those early days.
  - a. How did the organization interact with community residents?
  - b. ... How about tenants?
  - c. ... How about the City of Richmond?
  - d. ... How about the Commonwealth of Virginia?
6. Describe how your organization fit into the local community development industry at that time.
  - a. Did your organization have any important partnerships with other organizations in those days?
  - b. Were you involved in any coalitions or trade groups?
7. Tell me about your organization's relationship with its early funders.
  - a. Did they sit on the board?
  - b. How involved were they in day-to-day operations?
  - c. How involved were they in strategic planning and program development?
8. How did your organization finance the early projects?
  - a. On a scale of 1-5 (with 1 being not difficult and 5 being very difficult) how difficult was it to secure traditional bank financing?
  - b. How about foundation grants?
  - c. How about public funds, such as CDBG or HOME funds?
  - d. Did you realize developer fees?
  - e. Did you receive any income from for-profit subsidiaries?
  - f. Did you have access to funding for predevelopment?
9. Did your organization use outside technical assistance? If so, what kind, and who provided it?
10. What were the major barriers your organization faced in fulfilling its mission?

[Now, let's discuss the current state of affairs.]

11. What is your organization's current mission?
  - a. Who sits on the Board of Directors, in general terms?
  - b. How many staff members do you have now?
  - c. How does the organization fund its day-to-day operations?
  
12. What projects or programs does your organization currently pursue?
  - a. Which of the following activities is your organization involved in?
    - ☐ Developing housing (rehabilitation or new construction)
    - ☐ Developing commercial space (offices, retail, etc.)
    - ☐ Developing community facilities or open space
    - ☐ Community organizing, neighborhood planning and/or advocacy
    - ☐ CRA Advocacy
    - ☐ Tenant or homeowner counseling (housing-related)
    - ☐ Services for the homeless
    - ☐ Emergency food assistance
    - ☐ Job Training
    - ☐ Senior Citizen programs
    - ☐ Daycare
    - ☐ Anti-crime or anti-drug programs
    - ☐ Health care
    - ☐ Other (describe)
  - b. Which of the following development activities is your organization involved in?
    - ☐ New construction
    - ☐ Rehabilitation
    - ☐ Acquisition
    - ☐ Weatherization
  - c. Does your organization do any of the following?
    - ☐ Architecture
    - ☐ Construction
    - ☐ Property Management
    - ☐ Operate a for-profit subsidiary
  
13. What neighborhood or neighborhoods does your organization work in? What jurisdiction or jurisdictions?
  
14. What income groups does your organization serve?
  
15. Let's discuss your organization's relationship with the community and local government.

- a. How does the organization interact with community residents?
  - b. ... How about your tenants?
  - c. ... How about the City of Richmond?
  - d. ... How about the Commonwealth of Virginia?
- 16. Describe how your organization fits into the local community development industry today.
  - a. Do you have any important partnerships with other organizations?
  - b. Are you involved in any coalitions or trade groups?
- 17. Tell me about your organization's relationship with its current funders.
  - a. Do they sit on the board?
  - b. How involved are they in day-to-day operations?
  - c. How involved are they in strategic planning and program development?
- 18. How does your organization finance development projects?
  - a. Describe a typical mix of financing sources.
  - b. On a scale of 1-5 (with 1 being not difficult and 5 being very difficult) how difficult is it today to secure traditional bank financing?
  - c. How about foundation grants?
  - d. How about public funds, such as CDBG or HOME funds?
  - e. Does the organization typically collect developer fees?
  - f. Do you receive any income from for-profit subsidiaries?
  - g. Do you have access to funding for predevelopment?
- 19. Does your organization use outside technical assistance? If so, what kind, and who provides it?
- 20. We talked about barriers that your organization faced in the early days. Have these barriers been removed, or are they still significant obstacles?
- 21. What are the major barriers your organization faces in fulfilling its mission today, and in the foreseeable future?
- 22. What major opportunities do you see in community development today? [Note: This question was added midway through the preliminary interviews. It was included where necessary in the follow-up interviews.]
- 23. What are your top priorities for the next few years in terms of your organizational development?
- 24. What are your top priorities for development projects or service provision?

### Interview Questions for “Outside Experts” in Richmond

1. What is your role in the local community development industry? Does your department have a mission statement?
2. How long has your department been involved in community development?
3. Has your department’s mission changed since its establishment?
  - a. Have your services remained consistent through the years?
  - b. Has your geographic scope changed?
4. What services do you provide for those in the community development industry?
  - a. In exchange for those services, what do you expect from your partners?
  - b. How do you measure progress or achievement?
  - c. What is the most important contribution that your organization makes to the local community development industry?
5. Since your organization became involved, describe the changes in both the quantity and quality of the CDC’s work.
  - a. In what ways have CDCs been successful?
  - b. In what ways have CDCs fallen short?
6. Have you seen changes in the way CDCs finance their projects over the years? How about changes in the way they fund general operations?
7. There have been some organizational changes among CDCs recently (i.e. OHHIC, HJWA, Interfaith). Do you see any common factors contributing to these changes?
8. How did the local community development coalition (RCDA) get started? What was its original purpose?
  - a. Is the mission the same today? If not, how and why has it changed?
  - b. What are some strengths of the coalition?
  - c. What are some weaknesses of the coalition?
9. Do you have any new and important partners for the work you do, such as other organizations or housing authorities? How do they provide a benefit?
10. What are the major barriers faced by the community development industry in Richmond?
11. What are your priorities for the next few years in terms of helping the community development industry be effective in its work?
12. Any other observations on the evolution of the CD industry in Richmond?

### Follow-Up Questions for Richmond Community Development Executives

1. Based on our last conversation, it seems like your organization's service area has increased or expanded since you started out. Is that correct?

- a. If so, why did your organization decide to expand?
- b. Do you anticipate further expansion? If so, why?

Alternative: Based on our last conversation, I gathered that your organization was considering whether to expand its service area. Is that correct?

- a. If so, why is your organization considering expansion into other areas?
- b. Have you made any decisions on that issue?

2. Based on our last conversation, it sounded like your organization started off producing primarily \_\_\_\_ housing for people of \_\_\_\_ incomes, but that you are now developing some new types of housing (i.e., mixed-income, condominium, market-rate, etc.). Is that correct?

- a. If so, why did your organization decide to venture into this new type of housing?

Alternative: What types of housing are you currently developing? Has that always been the case?

- a. Do you anticipate venturing into any new types of housing development?
- b. If so, why?

3. Last time we spoke, you mentioned that your organization works in partnership with \_\_\_\_\_. Is that still the case?

- a. Why are you working with these partners?
- b. Is your organization involved in any other new partnerships or collaborations since the spring? If so, why are you working with them?
- c. Compared with past years, would you say that partnerships with outside groups are less important, about the same, or more important today? Why?

Alternative: Are you working in collaboration or in partnership with any outside organizations?

- a. If so, who are you working with, and why?
- b. If not, do you plan to pursue any new collaborations or partnerships? If so, with whom, and why?

4. Last time, I asked you about the major barriers you've been facing lately. You mentioned \_\_\_\_\_. Is that still the case?

5. What do you think are the most promising opportunities for your organization in community development today? [Limited to interviewees I didn't already ask.]

### **Interview Questions for Atlanta CDC Executives**

First, I have a few basic questions about your organization's history:

1. How long have you been at your organization?
2. When was your organization originally founded, and what was the primary purpose or mission at that time?
3. How many staff members did you have when the organization was founded?
4. What was your original geographic service area?
5. What income level did you serve?
6. What types of housing did you develop, i.e. SF, MF, condo, SRO, etc?
7. What other services did you provide?
8. Did you have any for-profit subsidiaries in those early years?
9. How did the organization cover its day-to-day operating costs?
10. How did the organization typically finance its development work?
  - a. On a scale of 1 to 5 (with 1 being not difficult, and 5 being very difficult) how hard was it to secure traditional bank financing?
  - b. How about foundation grants?
  - c. How about public funds, such as CDBG and HOME?
  - d. Did you realize any income from developer fees?
11. Did your organization have any important partnerships with other organizations in those days?
12. What were the major barriers the organization faced in fulfilling its mission?

Now, let's talk about your organization today.

1. What is your current purpose or mission?
2. How many staff members do you currently have?
3. What is your current service area?
  - a. [If different from above] Why has your service area changed? When did the change take place?

4. What income level do you serve today?
5. What types of housing are you currently developing, i.e. SF, MF, condo, SRO, etc?
  - a. [If different from above] Why have you changed your products?
  - b. Do you anticipate venturing into any new types of housing development? Why or why not?
6. What other services does your organization currently provide?
7. Do you have any for-profit subsidiaries?
  - a. [If so] When were they formed, and why?
8. How does your organization cover its day-to-day operating costs?
9. How does your organization typically finance its current development work?
  - a. On a scale of 1 to 5 (with 1 being not difficult, and 5 being very difficult) how hard is it to secure traditional bank financing?
  - b. How about foundation grants?
  - c. How about public funds, such as CDBG and HOME?
  - d. Do you get any income from developer fees?
10. Are you working in collaboration or in partnership with any outside organizations?
  - a. [If so] Who are you working with? When did you start working with them, and why?
  - b. Do you plan to pursue any new collaborations or partnerships? If so, with whom, and why?
  - c. Compared with past years, would you say that partnerships with outside groups are less important, about the same, or more important today? Why?
11. What are the major barriers your organization faces in carrying out your mission?
12. What do you think are the most promising opportunities for your organization in community development today?
13. Are there any other ways your organization has evolved or changed in recent years besides what we've already discussed?



### **Interview Questions for Atlanta Intermediaries**

1. When was your organization founded?
2. What was its primary mission or purpose at that time?
3. What was the original geographic service area?
4. What is your current mission or purpose?
5. What is your current geographic service area?
  - a. [If different from above] Why has your service area changed?
6. What services do you provide for those in the community development industry?
  - a. Have your services remained consistent through the years?
7. In what ways have CDCs been successful?
8. In what ways have CDCs fallen short?
9. Have you seen changes in the way CDCs finance their projects over the years? How about changes in the way they fund general operations?
10. Apart from the CDCs you support, are you currently involved in any partnerships or collaborations with outside entities?
  - a. If so, who are you partnering with? Why did your organization decide to collaborate with them?
11. What are the major barriers that your organization faces in carrying out your mission?
12. What are the major barriers faced by CDCs in Atlanta?
  - a. Are CDCs making changes to deal with those barriers? If so, how?
13. What do you think are the most promising opportunities for community development in Atlanta?
14. What are your priorities for the next few years in terms of helping the community development industry be effective in its work?

## **Vita**

Sharon L. Bancroft was born in 1978 in Abingdon, Pennsylvania, and is a citizen of the United States. She received her high school diploma from the Souderton Area High School in Souderton, Pennsylvania in 1996. In 2000, she completed her Bachelor of Science degree at the University of Richmond in Richmond, Virginia. Since completing her undergraduate studies, she has worked as a transportation planner and grants manager for the Greater Richmond Transit Company, as well as an office manager for the Richmond Local Initiatives Support Corporation (now Virginia LISC). While attending Virginia Commonwealth University, she received the T. Edward Temple Memorial Scholarship for academic excellence.